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RIVIERA TOOL CO  
Form 10-K  
December 27, 2004

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON DC 20549

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FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS  
PURSUANT TO SECTIONS 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

(Mark One)

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

For the fiscal year ended August 31, 2004

OR

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

Commission file number 001-12673

RIVIERA TOOL COMPANY  
(Exact name of registrant as specified in its charter)

MICHIGAN

38-2828870

-----  
(State or other jurisdiction of  
incorporation or organization)

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

5460 EXECUTIVE PARKWAY SE  
GRAND RAPIDS, MI

49512

-----  
(Address of principal executive offices)

-----  
(Zip Code)

Registrant's telephone number, including area code: (616) 698-2100

Securities registered pursuant to Section 12(b) of the Act: Common Stock,  
no par value

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

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 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 if disclosure of delinquent filers pursuant to Item 405  
of Regulation S-K is not contained herein, and will not be contained, to the  
best of registrant's knowledge, in definitive proxy or information statements  
incorporated by reference in Part III of this Form 10-K or any amendment to this  
Form 10-K.

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Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes[ ] No [X]

The aggregate market value of the voting common stock of the Registrant (based upon the last reported sale of the Common Stock at that date by the American Stock Exchange) held by non-affiliates was \$3,703,405 as of December 23, 2004.

The number of shares outstanding of the Registrant's common stock as of December 15, 2004 was 3,774,346 shares of common stock without par value.

THE MATTERS DISCUSSED IN THIS ANNUAL REPORT ON FORM 10-K CONTAIN CERTAIN FORWARD-LOOKING STATEMENTS. FOR THIS PURPOSE, ANY STATEMENTS CONTAINED IN THIS REPORT THAT ARE NOT STATEMENTS OF HISTORICAL FACT MAY BE DEEMED TO BE FORWARD-LOOKING STATEMENTS. WITHOUT LIMITING THE FOREGOING, WORDS SUCH AS "MAY," "WILL," "EXPECT," "BELIEVE," "ANTICIPATE," OR "CONTINUE," THE NEGATIVE OR OTHER VARIATION THEREOF, OR COMPARABLE TERMINOLOGY, ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. THESE STATEMENTS BY THEIR NATURE INVOLVE SUBSTANTIAL RISKS AND UNCERTAINTIES, AND ACTUAL RESULTS MAY DIFFER MATERIALLY DEPENDING UPON A VARIETY OF FACTORS, INCLUDING CONTINUED MARKET DEMAND FOR THE TYPES OF PRODUCTS AND SERVICES PRODUCED AND SOLD BY THE COMPANY.

RIVIERA TOOL COMPANY

Annual Report on Form 10-K

December 27, 2004

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### PART I

#### ITEM 1. BUSINESS

##### GENERAL

Riviera Tool Company (the "Company") is a designer and manufacturer of large scale, complex stamping die systems used to form sheet metal parts. Most of the stamping die systems sold by the Company are used in the production of automobile and truck body parts such as roofs, hoods, fenders, doors, door frames, structural components and bumpers. The following table sets forth the Company's sales (in millions) and percentage of total sales by major customers, DaimlerChrysler, Ford Motor Company, General Motors Corporation, Mercedes-Benz and BMW (the "OEM's") in fiscal years 2002, 2003 and 2004.

CUSTOMER -----	YEAR ENDED AUGUST 31,				
	2002		2003		2004
	AMOUNT	%	AMOUNT	%	AMOUNT
Suppliers of Mercedes-Benz.....	\$ --	--%	\$ 19.2	56%	\$ 20.0
BMW.....	0.6	4	0.3	1	0.3
Suppliers of BMW.....	0.6	4	3.0	10	3.0
DaimlerChrysler AG.....	0.9	6	1.9	6	0.9
Suppliers of DaimlerChryslerAG.....	0.2	1	1.0	1	0.2
Ford Motor Company.....	--	--	0.9	1	0.9
Suppliers of Ford Motor Co.....	0.8	6	2.4	7	0.8
General Motors Corporation.....	8.5	61	0.5	2	0.5
Suppliers of General Motors Corporation.....	0.6	4	0.2	--	0.2
Other auto and truck manufacturers and their suppliers..	1.8	14	4.7	16	1.8
Total Sales.....	\$ 14.0	100%	\$ 34.1	100%	\$ 34.1

The Company was originally incorporated in 1967 and was incorporated in its present form in 1988, under the laws of the State of Michigan.

##### INDUSTRY TRENDS

The principal factor affecting tooling demand is the level of capital spending on manufacturing equipment for use in the production of new products or models and, in the Company's case, predominantly the automotive industry. The market for U.S. produced tooling has both cyclical and structural factors that create tooling product demand.

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The cyclical factors are associated with the consumer demand levels as well as capital spending in various end-use sectors. Generally, tooling sales are less dependent on the level of automotive unit sales, but are more dependent on the introduction of new and updated product designs into the marketplace. The introduction of a new automotive model creates a demand for new tooling. This new tooling then creates the product parts that are assembled into the new models. Some slight variations in the production platform, such as changes to the drive train of an automobile, may involve no new tooling but may entail slight modifications in existing tooling in order to allow the production of components with these minor modifications. For the most part, the vast majority of new models require completely new tooling.

The structural factors affecting automotive tooling demand include the OEMs trend to shorter product cycles (30-36 month product cycle) as well as compressed tooling lead times (9-12 months). Additionally, the implementation of globalized manufacturing strategies, including the increasing competitiveness of foreign toolmakers, as well as the capture of domestic industry production share by offshore-based firms affect domestic automotive tooling demand.

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### PRODUCTS AND SERVICES

Dies. The Company's dies are used in the high-speed production of sheet metal stamped parts and assemblies. Production of such parts is a multiple step process involving a series of dies. Typically, the first die is used to cut the appropriate size metal blank from a sheet or coil of steel. The next die draws the metal blank into its primary shape and subsequent dies are used to bend edges or corners, create flanges, trim-off excess metal and pierce assembly holes. A customer usually orders only one series of dies for each separate part. Normally, the dies do not require replacement due to usage because the life of well-maintained dies is sufficient to carry production to the point when styling changes dictate production of new dies. The dies manufactured by the Company generally include automation features, adding to the complexity of design and construction. These automation features facilitate rapid introduction and removal of the work piece or raw material into and out of the die, thereby increasing production speeds and reducing labor cost for part manufacturers.

Engineering of Product and Process. As the OEMs continue their efforts to reduce lead times of new model launches, the Company produces concurrently, rather than sequentially, many of its tool designs and manufacturing processes. In certain instances, before the final design by the customer is complete, the Company already has ordered many of the raw materials, such as steel, and may have begun various machining operations. Typically, the Company will receive part data or descriptions in the form of electronic files, which the customer wants the Company to use in developing a tool to produce that part. The tool design is then created by the Company, utilizing computer aided-design ("CAD") software. The Company then utilizes computer software that simulates the metal-forming process within the die. This simulation data is then utilized in final die design to reduce the need for expensive and time-consuming reworking of the die during the tryout process. Upon completion of tool design, the Company develops the computer programs (computer-aided-manufacturing ("CAM") software) which drive the cutter paths on the machine tools. These machine tools fabricate many components for the tool. A variety of machine tools are utilized to cut and polish the various parts and surfaces of the tool, including the Company's high-speed machining centers and 5-axis machining centers, all of which are computer-numerically-controlled ("CNC"). The process of utilizing high-speed CNC machining centers reduces the traditional requirement for expensive and time-consuming hand finishing. After the tool components are produced or purchased, they are assembled and fitted together.

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Prototype Tooling and Parts. Prototype tooling and parts are utilized during the design phase of new models. The automobile manufacturers validate the fit and function of the respective components and assemblies and the repeatability of the respective production processes using these tools. The parts manufactured from prototype tools are also often used in crash testing.

Typically, prototype tools associated with the primary metal forming operations are manufactured from an alloy casting or mild steel and subsequently machined using the mathematical database and related CNC programs. After machining, the prototype tools are assembled and tested to validate the integrity and repeatability of the final manufacturing process. The results of the validation process are incorporated into the mathematical database, which will then be used to manufacture the final production tools. After testing the primary forming operations, prototype parts are manufactured using special means, such as computerized laser-cutting machines, to trim off excess scrap and to incorporate various slots and holes. These parts are then sent to the automobile manufacturers for further testing and evaluation. The results of this testing and evaluation may require the incorporation of additional design and manufacturing process modifications prior to construction of the production tooling.

### MANUFACTURING

The manufacturing process starts when the Company is awarded a tooling contract. The engineering process commences when an electronic "model" of the part to be produced is transmitted to the Company as a mathematical database or electronic files. Company engineers use the mathematical database to generate computer-aided die designs and die face cutter path programs. These cutter path programs are used by the machine tools to manufacture the inner workings of the die. Most material is removed and the cutting is done by CNC machine tools, which utilize the computer-generated cutter path programs to cut and polish the various parts of the tool. After the tool components are produced or purchased, they are assembled and fitted together. Finally, after the die is constructed, the Company produces a "tryout" or run of parts. These parts are then evaluated statistically for process repeatability and dimensional validation on the Company's coordinate measuring machine. During this automated validation process, the tool is statistically compared to the mathematical database.

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On average, 10 months elapse from the time the Company is awarded a contract until the final set of dies is shipped to the customer.

### QS 9000/TE CERTIFICATION

The Company is certified under the Tooling and Equipment Supplement ("TE Supplement") QS-9000 and ISO-9000 Quality Standards. The TE Supplement/QS-9000 standard was developed jointly by DaimlerChrysler, Ford, and General Motors to establish a single set of quality requirements for their tooling suppliers. ISO 9000 is an international quality standard for all industries.

The TE Supplement has become the international standard of all quality systems in the tooling industry, designed to ensure that systems are in place to prevent defects from occurring in the design, manufacturing and validation phases of our processes. The Company, by receiving the TE Supplement/QS-9000 certification, has demonstrated that its quality systems are in place to meet customer requirements.

### RAW MATERIALS

The steel, castings and other components utilized by the Company in the

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manufacturing process are available from many different sources and the Company is not dependent on any single source. The Company typically purchases its raw materials on a purchase order basis as needed and has generally been able to obtain adequate supplies of raw materials for its operations.

### MARKETING AND SALES

The Company's marketing emphasis is on DaimlerChrysler, Ford, General Motors, Mercedes-Benz and BMW and their respective tier one suppliers. The Company maintains relationships with DaimlerChrysler, Ford, General Motors, Mercedes-Benz and BMW that directly accounted for approximately 5%, in the aggregate, of the Company's revenues in 2004. For the year ended August 31, 2004, DaimlerChrysler, Ford, General Motors, Mercedes-Benz, BMW and their respective tier one suppliers accounted for approximately 92%, in the aggregate, of the Company's revenues. For the year ended August 31, 2003, DaimlerChrysler, Ford, General Motors, Mercedes-Benz and BMW and their respective tier one supplier directly accounted for 84%, in the aggregate, of the Company's revenues.

The Company typically sells its tooling systems to either OEMs directly or to manufacturers of products under contract with such OEMs (tier one suppliers). Sales efforts are conducted primarily by the Company's Vice President of Sales, President, senior management and project management personnel. Frequent contact is made with domestic and foreign automobile manufacturers, their purchasing agents, and platform managers and tier one suppliers. Typically, the Company's sales process begins when a package or request for quotation is received from the tier one supplier or OEM. Generally, the Company recommends process and design changes to improve the cost and quality of a product. The Company maintains a computer database with historical information regarding dies it has previously manufactured. This database assists the Company in quoting prices for dies and enables it to respond to most quotation requests quickly and accurately. If a customer decides to accept the Company's quotation, a purchase order is issued subject to price adjustments for engineering changes as requested by the customer. Bids generally are awarded based on technological capability, price, quality and past performance.

### BACKLOG AND SEASONALITY

The Company's backlog of awarded contracts, which are all believed to be firm, was approximately \$2.5 million and \$27 million as of August 31, 2004 and 2003, respectively. Subsequent to August 31, 2004, the Company received new orders increasing its backlog to \$7.2 million, as of December 12, 2004. The Company expects all backlog contracts will be reflected in sales during fiscal years ended August 31, 2005 and 2006. The Company's sales of stamping dies do not follow a seasonal pattern; however, the timing of new model introductions and existing model restyling tooling programs are dependent on DaimlerChrysler, Ford, General Motors, Mercedes-Benz, BMW and their respective introduction of new models.

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### COMPETITION

Large, complex automotive stamping dies are manufactured primarily by three supplier groups: a) domestic independent tool and die manufacturers, b) foreign independent tool and die manufacturers, and c) captive or in-house tool and die shops owned and operated by OEMs.

The independent tool and die manufacturer industry has significant barriers to entry, which can reduce competition in the large-scale die market. These barriers include the highly capital intensive and technically complex

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requirements of the industry. Additionally, attracting and retaining employees skilled in the use of advanced design and manufacturing technology is a multi-year process. A new competitor most likely would lack much of the credibility and historical customer relationships that take years to develop.

Finally, the OEMs maintain in-house, captive tool and die capacity in order to meet a portion of their needs. General Motors, for example, maintains the largest captive capacity and, based on estimates from various trade publications, supplies an estimated 75-80% of its own die construction needs. Ford produces approximately 50% and DaimlerChrysler 25% of their own respective needs. Independent suppliers, like the Company, tend to have a competitive advantage over the OEMs' in-house die shops due to the OEMs' higher cost structure.

With the advent of simultaneous engineering in the automobile industry, proximity of the OEMs' design engineers may effect the placement of the die manufacturer. However, foreign competition may have certain advantages over domestic die manufacturers including lower capital costs, currency exchange advantages, government assistance and lower labor costs.

### SIGNIFICANT CUSTOMERS

The Company maintains relationships with DaimlerChrysler, Ford, General Motors, Mercedes-Benz and BMW, which directly accounted for approximately 5%, in the aggregate, of the Company's revenues in 2004. For the year ended August 31, 2004, DaimlerChrysler, Ford, General Motors, Mercedes-Benz and BMW and their respective tier one suppliers accounted for approximately 92%, in the aggregate, of the Company's revenues.

### EMPLOYEES

The Company's work force consists of approximately 135 full-time employees, of which approximately 30 are managerial and engineering personnel. The balance consists of hourly employees engaged in manufacturing and indirect labor support. Included among these hourly workers are approximately 85 skilled tradesmen who are either journeymen tool and die makers or machinists. None of the Company's employees are covered by a collective bargaining agreement. The Company has not experienced any work stoppages and considers its relations with its employees to be good. The Company has a discretionary contribution 401(K) plan. The Company has no pension liabilities arising from any defined benefit plan.

### ENVIRONMENTAL MATTERS

The Company is subject to environmental laws and regulations concerning emissions to the air, discharges to waterways, and generation, handling, storage, transportation, treatment and disposal of waste materials. The Company also is subject to other Federal and state laws and regulations regarding health and safety issues. The Company believes that it is currently in material compliance with applicable environmental and health and safety laws and regulations.

### ITEM 2. PROPERTIES

The Company's facilities are located in Grand Rapids, Michigan, and consist of approximately 177,000 square feet of space, of which 28,000 square feet is utilized for office, engineering and employee service functions. Constructed in 1989, the facility is leased with a lease term expiring in 2018. The facility lease provides for annual payments of \$944,847 plus an escalation of base rent of approximately \$.14 per square foot. The Company has an option to renew this lease for an additional ten-year term at a rate based upon the then prevailing market rates for similar properties. The Company believes its

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facilities are modern, well maintained, adequately insured and suitable for their present and intended uses.

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ITEM 3. LEGAL PROCEEDINGS

The Company is not presently a party to any legal proceeding.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted during the fourth quarter of the fiscal year, covered by this report, to a vote of security holders through the solicitation of proxies or otherwise.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock ("Common Stock") is traded on the American Stock Exchange ("AMEX") under the symbol RTC. The Common Stock commenced trading on the AMEX on March 7, 1997, through an initial public offering of the Company's Common Stock. Prior to that date, there was no public market for the Common Stock. The table below sets forth the high and low sales prices as reported by AMEX for each period reported.

	FISCAL 2003		FISCAL 2004	
	HIGH	LOW	HIGH	LOW
1st quarter.....	\$ 1.49	\$ 1.04	\$ 5.10	\$ 3.10
2nd quarter.....	\$ 2.45	\$ 1.01	\$ 5.70	\$ 3.66
3rd quarter.....	\$ 3.55	\$ 1.75	\$ 4.99	\$ 3.16
4th quarter.....	\$ 5.10	\$ 2.81	\$ 3.70	\$ 1.86

The Company has not historically paid cash dividends on its Common Stock. The payment of Common Stock cash dividends is within the discretion of the Company's Board of Directors, with prior written consent of its primary lender; however, in view of the current working capital needs and in order to finance future growth, it is unlikely that the Company will pay any cash dividends on its Common Stock in the foreseeable future.

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ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Financial Statements and related Notes contained herein. All amounts are in thousands, except per share data.

	FISCAL YEAR ENDED AUGU		
	2000	2001	2002



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STATEMENT OF OPERATIONS DATA:				
Sales.....	\$ 25,187	\$ 12,047	\$ 14,050	\$
Gross Profit (Loss).....	3,794	(3,062)	(630)	
Income (Loss) from Operations.....	1,655	(4,712)	(2,289)	
Interest Expense.....	890	725	653	
Other (Income)/Expense.....	119	5	59	
Income (Loss) before Income Taxes.....	645	(5,442)	(3,002)	
Income Tax Expense (Benefit).....	242	(1,538)	--	
	-----	-----	-----	
Net Income (Loss) available for common shares.....	\$ 404	\$ (3,904)	\$ (3,002)	\$
	=====	=====	=====	
Diluted Earnings (Loss) per common share.....	\$ .12	\$ (1.16)	\$ (.89)	\$
	=====	=====	=====	
Diluted common shares outstanding.....	3,379	3,379	3,379	
OTHER DATA :				
Depreciation and amortization expense.....	\$ 1,940	\$ 1,952	\$ 1,913	\$

AS OF AUGUST 31,

	-----	-----	-----	
	2000	2001	2002	
	-----	-----	-----	
BALANCE SHEET DATA:				
Working Capital (Deficit).....	\$ 13,051	\$ 5,176	\$ (3,513)	
Total Assets.....	35,076	25,146	24,984	
Current Portion of Long-Term Debt.....	1,984	1,876	3,855	
Revolving Line of Credit.....	5,080	3,143	6,500	
Long-term Debt, less current portion.....	5,223	3,384	--	
Common Stockholders' Equity.....	18,715	14,812	11,810	

The following table is derived from the Company's Statement of Operations and sets forth, for the periods indicated, selected operating data as a percentage of sales.

	FISCAL YEAR ENDED AUGUST 31,			
	2000	2001	2002	2003
	----	----	----	----
STATEMENT OF OPERATIONS DATA:				
Sales.....	100%	100%	100%	100%
Gross Profit (Loss).....	15	(25)	(4)	10
Income (Loss) from Operations.....	7	(39)	(16)	5
Interest Expense.....	4	6	5	2
Income (Loss) before Income Taxes.....	3	(45)	(21)	3
Federal Income Tax Expense (Benefit).....	1	(13)	--	--
	---	---	---	---
Net Income (Loss) available for common shares...	2%	(32%)	(21%)	3%
	==	===	===	===
OTHER DATA:				
Depreciation and amortization expense.....	8%	16%	14%	5%

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QUARTERLY FINANCIAL DATA

The following is a condensed summary of quarterly results of operations for 2002, 2003 and 2004 (in thousands, except per share data):

	SALES	GROSS PROFIT/ (LOSS)	OPERATING INCOME/ (LOSS)	NET INCOME / (LOSS) AVAILABLE FOR COMMON SHARES	DILUTED EARNINGS (LOSS) PER SHARE	COMMON SHARES OUTSTANDING
2002: First	\$ 3,364	\$ (182)	\$ (648)	\$ (818)	\$ (.24)	3,379
Second	3,452	(141)	(519)	(688)	(.20)	3,379
Third	3,702	137	(304)	(453)	(.13)	3,379
Fourth	3,532	(444)	(818)	(1,043)	(.32)	3,379
Total	\$ 14,050	\$ (630)	\$ (2,289)	\$ (3,002)	\$ (.89)	3,379
2003: First	\$ 4,339	\$ 293	\$ (29)	\$ (189)	\$ (.06)	3,379
Second	8,304	869	453	231	.07	3,379
Third	9,919	1,093	587	391	.12	3,379
Fourth	11,522	1,121	676	467	.14	3,379
Total	\$ 34,084	\$ 3,376	\$ 1,687	\$ 900	\$ .27	3,379
2004 First	\$ 8,311	\$ 850	\$ 446	\$ 238	\$ .07	3,379
Second	8,293	840	335	212	.06	3,379
Third	7,597	867	387	239	.06	3,774
Fourth	488	(7,906)	(8,531)	(8,930)	(2.37)	3,774
Total	\$ 24,689	\$ (5,349)	\$ (7,363)	\$ (8,241)	\$ (2.18)	3,774

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The matters discussed in this Management's Discussion and Analysis of Financial Condition and Results of Operations contain certain forward-looking statements. For this purpose, any statements contained in this report that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as "may," "will," "expect," "believe," "anticipate," or "continue," the negative or other variation thereof, or comparable terminology, are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending upon a variety of factors, including continued market demand for the types of products and services produced and sold by the Company.

GENERAL OVERVIEW

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The Company is a designer and manufacturer of large scale, complex stamping die systems used to form sheet metal parts. Most of the stamping die systems, sold by the Company, are used in the high-speed production of automobile and truck body parts such as doors, frames, structural components and bumpers. A majority of the Company's sales are to DaimlerChrysler, Ford Motor Company, General Motors Corporation, Mercedes-Benz, BMW and their tier one suppliers of sheet metal stamped parts and assemblies.

### CRITICAL ACCOUNTING POLICIES

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon the Company's Financial Statements. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These principles require the use of estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. The accounting policies that may involve a higher degree of judgment, estimates and complexity include revenue recognition using percentage of completion estimates and the assessment of asset impairments. The Company uses the following methods and assumptions in its estimates.

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- Revenue recognition - The Company recognizes revenue on time and material contracts utilizing the completed-contract method. Revenue is recognized on all other contracts utilizing the percentage-of-completion method. Under the completed-contract method, the contract is considered complete when all costs except for insignificant items have been incurred and has been approved by the customer. Under the percentage-of-completion method, estimated contract earnings are based on total estimated contract profits multiplied by the ratio of labor hours incurred to total estimated labor hours on the contract. Provisions for total estimated losses on contracts in process are recognized in the period such losses are determined. Changes in job performance, conditions and estimated profitability may result in revisions to costs and income and are recognized in the period such revisions are determined.
- Net book value of long-lived assets - The Company periodically reviews the carrying value of its long-lived assets held and used. This review is performed using estimated future cash flows. If the carrying value of a long-lived asset is considered to be impaired, an impairment charge is recorded for the amount that the carrying value of the long-lived asset exceeds its fair value.

### NEW ACCOUNTING STANDARDS

In May 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS No. 150 requires certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity to be classified as liabilities. Many of these instruments previously were classified as equity or temporary equity and as such, SFAS No. 150 represents a significant change in practice in the accounting for a number of mandatory redeemable equity instruments and certain equity derivatives that frequently are used in connection with share repurchase programs. SFAS No. 150 is effective for all financial instruments created or modified after May 31, 2003, and to other instruments at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 did not have a significant impact on the Company's financial statements.

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In April, 2003, SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" was issued and is effective for contracts entered into or modified after June 30, 2003. SFAS No. 149 amends and clarifies financial accounting and reporting of derivatives, including derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The adoption of SFAS No. 149 did not have any impact on the Company's financial position, results of operations or cash flows.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation" to provide alternative methods of transition to SFAS No. 123's fair value method of accounting for stock-based employee compensation; however, it does not amend SFAS No. 123 to require companies to account for employee stock options using the fair value method. The statement also requires disclosure of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in the summary of significant accounting policies in annual and interim financial statements. The disclosure provisions of SFAS No. 148 were adopted on August 31, 2003. As allowed by SFAS No. 148, the Company has not adopted the fair value method of accounting for stock options.

In January 2003, FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities," an Interpretation of APB No. 50 ("FIN 46") and was amended in December 2003. FIN 46 is effective in February 2003 for all new variable interest entities created or acquired. For variable interest entities created or acquired before February 2003, FIN 46 is effective in February 2004. FIN 46 requires consolidation of a variable interest entity if a company's variable interest absorbs a majority of the entity's losses or receives a majority of the entity's expected residual returns, or both. The adoption of FIN 46 did not have any impact on the Company's financial position, results of operations or cash flows.

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### BASIS OF PRESENTATION

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. During 2004, the Company sustained a loss from operations of \$7,363,027 and a net loss of \$8,241,478. This loss resulted in an accumulated deficit of \$10,646,487 as of August 31, 2004. Further, the Company was not in compliance with the covenants of its long-term loan agreement causing the Company's debt to be classified as current in the financial statements. The Company's agreement was extended to December 31, 2004. The Company is currently negotiating a three month extension of such agreement. These factors, among other things, raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company believes that the revolving line of credit and the funds generated from operations, will be sufficient to cover anticipated cash needs through fiscal 2005. However, depending on Company's primary lenders willingness to extend the due date of the facility as well as the level of future sales, terms of such sales, financial performance and cash flow of existing contracts, such financing may not be sufficient to support operations. Therefore, the Company may be required to seek additional sources of funding.

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### IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews long-lived assets for impairment if changes in circumstances or the occurrence of events suggest the remaining value may not be recoverable. An asset is deemed impaired and written down to its fair value if estimated related total future undiscounted cash flows are less than its book (carrying) value. The Company, in performing its evaluation of long-lived assets for impairment, utilized financial projections for five future years including total undiscounted cash flow. In developing the projections, the Company estimated revenues for each year and estimated resulting margins based upon various assumptions including future market pricing trends and historical financial costs. The analysis concluded that the estimated total undiscounted future cash flows were in excess of the carrying value of long-lived assets. Had the analysis concluded that the total undiscounted future cash flows been below the carrying value, an impairment charge of the difference between the carrying value and the lower of the total discounted cash flows or fair value would have been recorded.

### RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Company's Financial Statements and the Notes thereto included elsewhere herein.

### FISCAL 2004 COMPARED TO FISCAL 2003

Revenue. Total revenue decreased from approximately \$34 million in 2003 to \$25 million in 2004, a decrease of 28%. This decrease was a result of the Company completing its significant tooling programs for a major European automaker for a sports utility vehicle and a new "crossover" vehicle to be manufactured in the United States. The Company's customer for these vehicles is the Tier 1 supplier to Mercedes-Benz for these particular vehicles. During the fourth quarter, the Company had significant difficulties in completing the contracts, which had a severe negative effect on revenue, cost of sales, and related earnings. The Company, due to many various circumstances, incurred significant cost overruns on many of the parts under the contracts. Many of these cost overruns involve customer timing changes, material specification changes and the Company outsourcing the completion of many dies to meet customer deadlines. All of the aforementioned issues resulted in the Company incurring approximately \$4.0 million in additional outsourcing costs and \$3.5 million in additional labor costs. The Company has accrued \$5.2 million of estimated losses on these contracts and others as of August 31, 2004, and believes this reserve will be adequate to complete the contracts. The outsourcing costs were incurred as a result of the Company having certain "bottlenecks" in its production. These bottlenecks were a result of changes to material specifications combined with an increase in the number of engineering changes required. The material specification changes involved customer changes from a grade of steel the Company had previous experience with to a new grade of high-strength steel which, not only had the Company had no experience working with, was also new to the customer. As a result of this new material, the Company could not simulate the flow of the steel in the dies. Due to the lack of historical data as to the material

flow, the Company, in some cases, had to re-cut the dies up to eight times to get the part within specifications with this material. This created capacity constraints in the Company's machining and tryout areas. As a result of these constraints, the customer required that the Company utilize specified outside die shops to complete certain dies, which were constructed internally. The customer decided that the Company's internal capacity had become overburdened as

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a result of the rework being performed by the Company to obtain part specifications with the new high-strength steel. Had the Company not outsourced this work, the customer may have cancelled the contracts and charged the Company for all of the added costs incurred. In addition, the customer may have discontinued the scheduled progress payments, which would have caused severe cash-flow problems for the Company. Management took the position that by outsourcing this work directly the added costs were better controlled and prevented potential cash-flow difficulties.

Despite the aforementioned fourth quarter problems, the Company did realize an overall profit on these two programs. The total amount of revenue on these contracts was \$43.0 million with a net margin of \$0.2 million.

Cost of Goods Sold. Cost of goods sold decreased from \$30.7 million for 2003 to \$30.0 million for 2004. However, as a percent of sales, cost of goods sold increased from 90.1% for 2003 to 121.7% for 2004. Direct costs (materials and labor) decreased by \$0.8 million, from \$21.4 million for 2003 to \$20.6 million for 2004. Engineering expense remained consistent at \$2.4 million for both 2003 and 2004. Lastly, of the cost of goods sold, manufacturing overhead remained consistent at \$7.0 million for 2004 versus \$6.9 million for 2003. Additional details of these changes in cost of sales for 2003 and 2004 are as follows:

- Direct materials expense decreased from \$6.4 million for 2003 to \$4.2 million for 2004 and as a percent of sales from 18.8% to 16.9%. This decrease was largely due to lower contract material requirements during 2004 as compared to 2003. Outside services expense increased from \$9.4 million for 2003 to \$9.7 million for 2004 and increased as a percent of sales from 27.5% to 39.3%. Of the outsourced services expense for 2004, approximately \$4.0 million of the \$9.7 million was in excess of amounts estimated for certain jobs and created extensive cost overruns on those particular jobs as described in the aforementioned Revenue section.
- Direct labor expense increased from \$5.7 million for 2003 to \$6.7 million for 2004 and as a percent of sales, direct labor increased from 16.7% to 27.3%. This change was a result of the Company incurring a 4.4% increase in direct labor hours, from 304,000 hours in 2003 to 318,000 in 2004. Of the total direct labor expense, regular or straight time increased by \$690,000 and as a percent of sales increased from 11.0% for 2003 to 17.9% for 2004. Overtime expense increased from \$1.9 million for 2003 to \$2.3 million for 2004 and as a percent of sales increased from 5.7% for 2003 to 9.4% for 2004. The Company incurred added labor costs of approximately \$3.5 million related to the construction and buy-off difficulties noted above.

Selling and Administrative Expense. Selling and administrative expense for 2004 increased by \$324,000 to \$2,014,000 as compared to \$1,690,000 for 2003. As a percent of sales, selling and administrative expense increased from 5.0% for 2003 to 8.2% for 2004. This largely consisted of increases of \$141,000 in administrative and sales salaries, \$79,000 in State of Michigan Single Business Tax, \$50,000 in Deferred Compensation expense and \$38,000 in Public Company expenses.

Interest Expense. Interest expense increased from \$779,000 for 2003 to \$872,000 for 2004. This increase was largely due to the Company incurring additional interest expense related to issuance of \$3.0 million subordinated debt during the fourth quarter of 2004.

### FISCAL 2003 COMPARED TO FISCAL 2002

Revenue. Total revenue increased from approximately \$14 million in 2002 to \$34 million in 2003, an increase of 143%. This increase was a result of the Company receiving significant tooling programs for the Mercedes-Benz M Class sports

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utility vehicle and a new "crossover" vehicle yet to be introduced. The Company's customer for these vehicles is the Tier 1 supplier to Mercedes-Benz for these particular vehicles. For a portion of these tooling systems the Company is performing engineering services and manages certain die manufacturing subcontracted by the Company, with the Company being responsible for the engineering and performance of these tools. During fiscal 2003, the Company recorded approximately \$9.4 million of outsourced revenue or 25% of total fiscal 2003 sales.

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Cost of Goods Sold. Cost of goods sold increased from \$14.7 million for 2002 to \$30.7 million for 2003. However, as a percent of sales, cost of goods sold decreased from 104.5% for 2002 to 90.1% for 2003. Direct costs (materials and labor) increased by \$14.6 million, from \$6.8 million for 2002 to \$21.4 million for 2003. Engineering expense increased by \$815,500 from \$1.6 million for 2002 to \$2.3 million for 2003. Lastly, of the cost of goods sold, manufacturing overhead increased by \$580,000 from \$6.3 million for 2002 to \$6.9 million for 2003. Additional details of these changes in cost of sales for 2002 and 2003 are as follows:

- Direct materials expense increased from \$2.4 million for 2002 to \$6.4 million for 2003 and as a percent of sales from 16.8% to 18.8%. This increase was largely due to higher contract material requirements during 2003 as compared to 2002. Outside services expense increased from \$923,000 for 2002 to \$9.4 million for 2003 and as a percent of sales from 6.6% to 27.5%. This increase was largely due to the Company incurring \$7.3 million of expense related to its outsourced revenue. The balance of the outside services expense was due to sales volumes and corresponding increases in outsourcing certain machining, die patterns, laser cutting, heat treat and outside design services.
- Direct labor expense increased from \$3.6 million for 2002 to \$5.7 million for 2003. However, as a percent of sales, direct labor decreased from 25.5% to 16.7%. This change was a result of the Company incurring a 56% increase in direct labor hours, from 189,000 hours in 2002 to 294,000 in 2003. Of the total direct labor expense, regular or straight time increased by \$909,000 however as a percent of sales, decreased from 20.1% for 2002 to 10.9% for 2003 due to increased sales volume. Overtime expense increased from \$756,000 for 2002 to \$1.9 million for 2003, however as a percent of sales, only increased from 5.4% for 2002 to 5.7% for 2003.
- Engineering expense increased from \$1.6 million, 11.1% of sales, for 2002 to \$2.4 million, 7.0% of sales, for 2003. This 50% increase was due to the Company's increase in awarded contracts during 2003 and the Company increasing the number of engineering personnel necessary to fulfill the design and project management portions of the contracts.
- Manufacturing overhead was \$6.3 million or 44.9% of sales for 2002 as compared to \$6.9 million or 20.2% of sales for 2003. During 2003, increases in manufacturing overhead were largely due to a \$326,000 increase in vacation, holiday pay and payroll tax expenses and a \$100,000 increase in medical insurance premiums. The decrease of approximately 50% of manufacturing overhead, as a percent of sales, was largely due to improved overhead absorption from sales increases.

Selling and Administrative Expense. Selling and administrative expense for 2003 remained consistent with 2002 at \$1.7 million. As a percent of sales, selling and administrative expense decreased from 11.8% for 2002 to 5.0% for 2003 due to the increased sales volume. The largest selling and administrative expense increases for 2003 included: \$124,000 in supervision salaries and \$39,000 in

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directors and officers insurance premiums and director fees. These increases were offset by decreases in computer maintenance expense.

Interest Expense. Interest expense increased from \$653,000 for 2002 to \$779,000 for 2003. This increase was largely due to the Company incurring \$230,000 of debt issuance and guarantees amortization expense during 2003. These costs were incurred in the Company's December 2002 refinancing.

### FEDERAL INCOME TAX

The Company's effective income tax rates were 0% for the years ended August 31, 2002, 2003 and 2004. The Company had approximately \$160,000 of alternative minimum tax credits as of August 31, 2004, the use of which does not expire, and federal net operating loss carryforwards of \$6,511,000, which expire, if unused, in fiscal 2021, 2022 and 2024. The Company has a valuation allowance of \$1,003,000 and \$3,737,000 at August 31, 2003 and 2004, respectively, for net deferred tax assets, which may not ultimately be realized.

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### LIQUIDITY AND CAPITAL RESOURCES

The Company's need for working capital increased during 2004 largely as a result of the loss in the fourth quarter. For the year ended 2004, the Company utilized approximately \$6.7 million in operating activities. The Company financed these needs through bank financing, issuance of subordinated debt and sale of common stock for a total of \$8.0 million from financing activities. The Company also utilized \$1.3 million of those proceeds in the acquisition of assets.

The Company's total bank debt as of August 31, 2004, is \$15.7 million, all of which is classified as short-term debt. As of August 31, 2004, the Company was in default of its loan covenants with its lenders. As a result the Company has negotiated a \$10 million Revolving Line of Credit with a balance outstanding of approximately \$4.6 million (as of December 27, 2004), and term notes with an aggregate outstanding balance of \$1,835,100, expiring December 31, 2004. The Revolving Line of Credit bears interest at the bank's prime rate plus 4.0 percent (an effective rate of 9.0% at November 30, 2004) and the term notes bears interest at bank's prime rate plus 4.25 percent (an effective rate of 9.25% at November 30, 2004). The Company also has two subordinated debt notes payable totaling \$4,050,670 which includes \$1,050,670 bearing interest at 11% and \$3,000,000 bearing interest at 14% plus deferred interest of 6%.

The table below presents our significant contractual obligations as of August 31, 2004:

	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS
	-----	-----	-----	-----
Debt .....	\$ 15,735,302	\$ 15,735,302	--	
Operating Lease .....	16,173,620	981,298	\$ 988,298	\$ 1,016,320
Deferred Compensation .....	216,474	50,000	45,351	4,123
Capital Lease .....	20,070	7,367	7,367	
	-----	-----	-----	-----
Total Obligations	\$ 32,145,466	\$ 16,773,967	\$ 1,041,016	\$ 1,020,443
	=====	=====	=====	=====

The Company believes that the revolving line of credit and the funds generated



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from operations, will be sufficient to cover anticipated cash needs through fiscal 2005. However, depending on Company's primary lenders willingness to extend the due date of the facility as well as the level of future sales, terms of such sales, financial performance and cash flow of existing contracts, such financing may not be sufficient to support operations. Therefore, the Company may be required to seek additional sources of funding.

### INFLATION

The Company has no long-term, fixed price supply contracts. Although the average set of dies takes approximately ten months from inception to shipment, any significant direct material costs are incurred at the beginning of the die manufacturing process. Historically, the Company has been able to reflect increases in the prices of labor and material in its selling prices, however under current industry pricing pressures, the Company is unsure if this will continue to be the case in the future.

### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not Applicable.

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### ITEM 8. FINANCIAL STATEMENTS & SUPPLEMENTARY DATA

#### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
Riviera Tool Company  
Grand Rapids, Michigan

We have audited the accompanying balance sheets of Riviera Tool Company as of August 31, 2004 and 2003, and the related statements of operations, stockholders' equity and cash flows for each of the three years in the period ended August 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Riviera Tool Company as of August 31, 2004 and 2003, and the results of its operations and its cash flows for each of the three years in the period ended August 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that Riviera Tool Company will continue as a going concern. As discussed in Note 2 to the financial statements, at August 31, 2004, the Company was not in compliance with its loan agreements, has losses from operations and a retained deficit that raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the

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outcome of this uncertainty.

DELOITTE & TOUCHE LLP

Grand Rapids, Michigan  
December 22, 2004

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Riviera Tool Company  
Balance Sheets

ASSETS	Note	2003
-----	----	-----
Current Assets		
Cash.....		\$
Accounts receivable.....		7,010,0
Costs in excess of billings on contracts in process.....	4	12,208,6
Inventories.....	5	248,5
Prepaid expenses and other current assets.....		294,1
		-----
Total current assets.....		19,761,4
Property, plant and equipment, net.....	6	13,046,2
Perishable tooling.....		617,7
Other assets.....		325,1
		-----
Total assets.....		\$ 33,750,6
		=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current portion of long-term debt.....	7	\$ 638,7
Accounts payable.....		5,020,5
Accrued outsourced contracts payable.....		5,903,9
Accrued liabilities.....		435,8
		-----
Total current liabilities.....		11,999,1
Long-term and subordinated debt, net of current portion.....	7	8,400,3
Accrued lease expense.....	9	640,6
Deferred compensation.....	10	
Deferred interest.....	7	
		-----
Total liabilities.....		21,040,1
Preferred stock -- no par value, \$100 mandatory redemption value:		
Authorized-5,000 shares, Issued and outstanding- no shares.....		
Preferred stock -- no par value,		
Authorized -- 200,000 shares		
Issued and outstanding -- no shares.....		
Common stockholders' equity		
Common stock -- no par value,		
Authorized -- 9,798,575 shares		
Issued and outstanding -- 3,379,609 shares at August 31, 2003 and		

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3,774,346 at August 31, 2004.....	15,115,4
Retained deficit.....	(2,405,0
	-----
Total common stockholders' equity.....	12,710,4
	-----
Total liabilities and stockholders' equity.....	\$ 33,750,6
	=====

See Notes to Financial Statements

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Riviera Tool Company  
Statements of Operations

	2002	Year Ended August 31 2003	
	----	----	
Sales .....	\$ 14,050,133	\$ 34,084,111	\$
Cost of sales .....	14,680,398	30,707,447	
	-----	-----	
Gross profit (loss) .....	(630,265)	3,376,664	
Selling and administrative expenses .....	1,658,849	1,689,192	
	-----	-----	
Income (loss) from operations .....	(2,289,114)	1,687,472	
	-----	-----	
Other income (expense):			
Interest expense .....	(652,905)	(779,074)	
Other .....	726	(8,348)	
Loss on asset disposals .....	(60,264)	--	
	-----	-----	
Total other expense, net .....	(712,443)	(787,422)	
Income (loss) -- before income tax benefit .....	(3,001,557)	900,050	
	-----	-----	
Income tax benefit .....	--	--	
	-----	-----	
Net income (loss) available for common shares .....	\$ (3,001,557)	\$ 900,050	\$
	=====	=====	
Basic and Diluted earnings (loss) per common share ....	\$ (0.89)	\$ 0.27	\$
	=====	=====	
Basic and Diluted common shares outstanding .....	3,379,609	3,379,609	

See Notes to Financial Statements

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Riviera Tool Company  
Statements of Common Stockholders' Equity

Common Stock		Retained
-----	-----	Earnings
Shares	Amount	(Deficit)

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	-----	-----	-----
Balance -- August 31, 2001	3,379,609	\$ 15,115,466	\$ (303,502)
	-----	-----	-----
Net loss.....	--	--	(3,001,557)
Balance -- August 31, 2002	3,379,609	\$ 15,115,466	\$ (3,305,059)
	-----	-----	-----
Net income.....	--	--	900,050
Balance -- August 31, 2003	3,379,609	\$ 15,115,466	\$ (2,405,009)
	-----	-----	-----
Sale of Common Stock.....	394,737	1,310,912	--
Net loss.....	--	--	(8,241,478)
	-----	-----	-----
Balance -- August 31, 2004	3,774,346	\$ 16,426,378	\$ (10,646,487)
	=====	=====	=====

See Notes to Financial Statements

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Riviera Tool Company  
Statements of Cash Flows

	Year Ended	
	2002	2003
	-----	-----
Cash Flows from Operating Activities		
Net income (loss) .....	\$ (3,001,557)	\$ 90
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation and amortization .....	1,912,733	1,83
Loss on disposal of machinery and equipment .....	60,264	
Decrease (increase) in assets:		
Accounts receivable .....	550,355	(4,11
Costs in excess of billings on contracts in process .....	165,223	(8,22
Inventories .....	58,408	
Perishable tooling .....	24,216	(6
Prepaid expenses and other current assets .....	(87,024)	(10
Increase (decrease) in liabilities:		
Accounts payable .....	796,567	3,32
Accrued outsourced contracts payable .....	--	5,90
Accrued lease expense .....	(16,359)	(1
Accrued liabilities .....	106,164	(3
Deferred compensation .....	--	
	-----	-----
Cash flows from (used in) operating activities .....	568,990	(58
	-----	-----
Cash Flows from Investing Activities		
(Increase) decrease in other assets .....	(167,290)	(2

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Purchases of property, plant and equipment .....	(298,817)	(41)
Net cash used in investing activities .....	(466,107)	(43)
Cash Flows from Financing Activities		
Net borrowings (repayments) on revolving credit line .....	3,357,210	(51)
Proceeds from issuance of long-term debt .....	470,560	
Principal payments on long-term debt .....	(1,875,631)	(79)
Proceeds from issuance of subordinated debt .....	--	
Capital lease .....	--	
Deferred interest .....	--	
Proceeds from sale of common stock .....	--	
Cash flows from (used in) financing activities .....	1,952,139	(1,31)
Net increase (decrease) in cash .....	2,055,022	(2,33)
Cash -- beginning of year .....	282,721	2,33
Cash -- end of year .....	\$ 2,337,743	\$
Interest paid .....	\$ 581,915	\$ 78
Income taxes refunded .....	25,000	

See Notes to Financial Statements

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### Riviera Tool Company Notes to Financial Statements

#### NOTE 1 -- NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

##### NATURE OF BUSINESS.

Riviera Tool Company (the "Company") designs, develops and manufactures custom and complex large scale metal stamping die systems used in the high-speed production of sheet metal stamped parts and assemblies for the automotive industry. These systems are mainly sold to DaimlerChrysler, Ford Motor Company, General Motors Corporation, Mercedes-Benz, BMW and their tier one suppliers of sheet metal stamped parts and assemblies.

##### USE OF ESTIMATES.

The preparation of financial statements 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although management believes the estimates are reasonable, actual results could differ from those estimates.

##### SIGNIFICANT ESTIMATES.

The most significant estimates made by the Company are in the determination and recognition of revenue on contracts in process. Management's best estimates of costs to complete are based on costs incurred, engineers' cost projections, experience with customers or particular die systems and other analyses. Although management's estimates are not expected to materially change in the near term, the costs the

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Company could ultimately incur could differ from the amounts estimated.

### REVENUE RECOGNITION.

The Company recognizes revenue on time and material contracts utilizing the completed-contract method. Revenue is recognized on all other contracts utilizing the percentage-of-completion method. Under the completed-contract method, the contract is considered complete when all costs have been incurred and the project has been approved by the customer. Under the percentage-of-completion method estimated contract earnings are based on total estimated contract profits multiplied by the ratio of labor hours incurred to total estimated labor hours on the contract. Provisions for total estimated losses on contracts in process are recognized in the period such losses are determined. Changes in job performance, conditions and estimated profitability may result in revisions to costs and income and are recognized in the period such revisions are determined.

### ACCOUNTS RECEIVABLE.

As of August 31, 2003 and 2004, the Company had no reserve for uncollectible accounts receivable and had \$361,144 and \$162,795 of unbilled accounts receivable (completed contracts for which revenue earned exceeds amounts billed), respectively.

### INVENTORIES.

Inventories are recorded at the lower of cost (first-in, first-out method) or market.

### PROPERTY, PLANT AND EQUIPMENT.

Property, plant and equipment are recorded at cost. Depreciation is computed using the straight-line method over the useful life of the asset for financial reporting purposes as follows:

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### Riviera Tool Company Notes to Financial Statements

#### NOTE 1 -- NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### PROPERTY, PLANT AND EQUIPMENT - CONTINUED

ASSET -----	USEFUL LIVES -----
- Leasehold Improvements.....	7-20
- Office Furniture and Fixtures.....	3-10
- Machinery and Equipment.....	5-20
- Computer Equipment and Software.....	5-20
- Transportation Equipment.....	5-10

Expenditures for maintenance and repairs are charged to expense as incurred. The Company capitalizes interest cost associated with construction in process. The amount of capitalized interest was \$6,703, \$0 and \$0 in 2002, 2003 and 2004, respectively.

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### IMPAIRMENT OF LONG-LIVED ASSETS.

The Company reviews long-lived assets for impairment if changes in circumstances or the occurrence of events suggest the remaining value may not be recoverable. An asset is deemed impaired and written down to its fair value if estimated related total future undiscounted cash flows are less than its book (carrying) value. The Company, in performing its evaluation of long-lived assets for impairment, utilized financial projections for five future years including total undiscounted cash flow. The analysis concluded that the estimated total undiscounted future cash flows were in excess of the carrying value of long-lived assets. Had the analysis concluded that the total undiscounted future cash flows been below the carrying value, an impairment charge of the difference between the carrying value and the lower of the total discounted cash flows or fair value would have been recorded.

### PERISHABLE TOOLING.

Perishable tools are generally used up over five years, reported at cost as non-current assets in the balance sheet and amortized evenly over their useful lives.

### INCOME TAXES.

Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future. Such deferred income tax asset and liability computations are based upon enacted tax laws and rates applicable to periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

### EARNINGS PER SHARE.

Basic earnings per share excludes dilution and is computed by dividing income available to common stockholders by the weighted-average common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised.

### STOCK-BASED COMPENSATION.

The Company has adopted Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-based Compensation," and as permitted by this standard, will continue to apply the recognition and measurement principles prescribed under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", to its stock-based compensation (see Note 10). No stock-based compensation cost is reflected in net income (loss), as all options granted under its plan had an exercise price equal to the market value of the underlying common stock on the date of grant. Had the Company applied the fair value recognition principles of SFAS No. 123, there would be no impact on net income (loss) as of August 31, 2002, 2003 and 2004.

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## Notes to Financial Statements

### NOTE 1 -- NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED BUSINESS SEGMENT REPORTING.

Based on the nature of its operations and products, the Company considers its business to be a single operating segment.

### NEW ACCOUNTING STANDARDS.

SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" was issued in April 2003 and is effective for contracts entered into or modified after June 30, 2003. SFAS No. 149 amends and clarifies financial accounting and reporting of derivatives, including derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." The adoption of SFAS No. 149 did not have any impact on the Company's financial position, results of operations or cash flows.

SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" was issued in May 2003 and is effective for financial instruments entered into or modified after May 31, 2003. SFAS No. 150 establishes standards for classification and measurement of certain financial instruments with characteristics of both liabilities and equity. The adoption of SFAS No. 150 did not have any impact on the Company's financial position, results of operations or cash flows.

Financial Accounting Standards Board ("FASB") Interpretation No. 46, "Consolidation of Variable Interest Entities," an Interpretation of APB No. 50 ("FIN 46") was issued in January 2003 and was amended in December 2003. FIN 46 is effective in February 2003 for all new variable interest entities created or acquired. For variable interest entities created or acquired before February 2003, FIN 46 is effective in February 2004. FIN 46 requires consolidation of a variable interest entity if a company's variable interest absorbs a majority of the entity's losses or receives a majority of the entity's expected residual returns, or both. The adoption of FIN 46 did not have any impact on the Company's financial position, results of operations or cash flows.

### NOTE 2 -- BASIS OF PRESENTATION

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. During 2004, the Company sustained a loss from operations of \$7,363,027 and a net loss of \$8,241,478. This loss resulted in an accumulated deficit of \$10,646,487 as of August 31, 2004. Further, the Company was not in compliance with the covenants of its long-term loan agreement causing the Company's debt to be classified as current in the financial statements. These factors, among other things, raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company believes that the revolving line of credit and the funds generated from operations, will be sufficient to cover anticipated cash needs through fiscal 2005. However, depending on Company's primary lenders willingness to extend the due date of the facility as well as the level of



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future sales, terms of such sales, financial performance and cash flow of existing contracts such financing may not be sufficient to support operations. Therefore, the Company may be required to seek additional sources of funding.

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### Riviera Tool Company Notes to Financial Statements

#### NOTE 3 -- SALES TO MAJOR CUSTOMERS

The nature of the Company's business is such that a limited number of customers comprise a majority of its business in any given year, even though the specific customers will differ from year to year. The following table summarizes the Company's sales to those customers which represent more than 10% of the annual sales, in the particular year presented, of the Company (in 000's):

	AUGUST 31					
	2002	%	2003	%	2004	%
Oxford Automotive .....	\$ 1,235	9	\$ 19,152	56%	\$ 18,640	75%
DaimlerChrysler AG .....	905	6	1,925	6%	209	1%
General Motors .....	8,486	60	450	1%	938	4%
Others .....	3,424	25	12,557	37%	4,902	20%
Total Sales .....	\$ 14,050	100%	\$ 34,084	100%	\$ 24,689	100%
	=====	===	=====	===	=====	===

Outstanding account receivables from three of these customers represented approximately 78 percent and 90 percent at August 31, 2003 and 2004 of the total accounts receivable, respectively. On December 6, 2004, the Company's largest customer, Oxford Automotive filed for protection under Chapter XI of the United States Bankruptcy Court. As of August 31, 2004, Oxford Automotive represents \$10.9 million or 83% of the Company's accounts receivable. The Company had previously filed perfected security interests on all tools manufactured for this customer. As a result of these liens the Company, Oxford and Mercedes-Benz U.S. International, Inc. executed a Tri-party Tooling Agreement on May 24, 2004. Under such agreement Mercedes-Benz directly pays the Company for tooling on the behalf of Oxford. Subsequent to August 31, 2004, the Company has received approximately \$9.1 million of payments from Mercedes-Benz.

#### NOTE 4 -- COSTS AND BILLINGS ON CONTRACTS IN PROCESS

Costs and billings on contracts in process are as follows:

	AUGUST 31	
		2003
Costs incurred on contracts in process under the percentage-of-completion method.....	\$ 26,836,205	\$ 26,836,205
Estimated gross profit/(loss).....	3,000,000	(3,000,000)

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Total.....	29,836,205	1
Less progress payments received and progress billings to date.....	17,627,539	1
Plus costs incurred on contracts in process under the completed contract method.....	--	
Costs in excess of billings on contracts in process.....	\$ 12,208,666	\$

Included in estimated gross loss for 2003 and 2004 are contracts with estimated losses accrued of \$532,665 and \$5,190,491, respectively.

NOTE 5 -- INVENTORIES

Inventories consist of the following:

	AUGUST 31	
	2003	2004
Raw material stock.....	\$ 131,929	\$ 140,513
Small tools and supplies.....	116,630	97,788
Total.....	\$ 248,559	\$ 238,301

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Riviera Tool Company  
Notes to Financial Statements

NOTE 6 -- PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	AUGUST 31	
	2003	2004
Leasehold improvements.....	\$ 1,367,908	\$ 1,367,908
Office furniture and fixtures.....	164,417	169,129
Machinery and equipment.....	22,369,833	23,080,863
Computer equipment and software.....	2,351,580	2,788,489
Transportation equipment.....	61,919	109,782
Construction in process.....	160,195	--
Total cost.....	26,475,852	27,516,171
Accumulated depreciation and amortization.....	13,429,563	15,187,425
Property, plant and equipment, net.....	\$ 13,046,289	\$ 12,328,746
Depreciation & amortization expense.....	\$ 1,839,801	\$ 1,757,862

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NOTE 7 -- LONG-TERM AND SUBORDINATED DEBT

The Company's long-term and subordinated debt, which is subject to certain covenants discussed below, consists of the following:

-----  
2003  
-----

REVOLVING WORKING CAPITAL CREDIT LINE

The revolving working capital credit line is collateralized by substantially all assets of the Company and provides for borrowing, subject to certain collateral requirements up to \$10 million. The agreement requires a commitment fee of .25% per annum on the average daily unused portion of the revolving credit line. The credit line is due December 31, 2004, and bears interest, payable monthly, at 4.0% above the bank's prime rate (as of November 17, an effective rate of 9%).....

\$ 5,982,3

NOTES PAYABLE TO BANKS

Note payable to bank, payable in monthly installments of \$33,334, plus interest at the bank's prime rate plus 4.25% (as of November 17, 2004, an effective rate of 9.25%), due December 31, 2004.....

1,766,6

Note payable to bank, payable in monthly installments of \$9,065, plus interest at the bank's prime rate plus 4.25% (as of November 17, 2004, an effective rate of 9.25%), due December 31, 2004.....

Subordinated note payable to bank, payable in monthly installments of \$31,000, including interest at 11%, due January 1, 2008.....

1,290,0

SUBORDINATED DEBT

Subordinated note payable, principal payable in quarterly installments of \$250,000 commencing September 30, 2007. Interest payable quarterly, in arrears, commencing on September 30, 2004 at 14%. Deferred interest accrues at 6%, compounded quarterly and payable at the earlier of loan pay-off or June 30, 2010.....

Total debt.....  
Less current portion of long-term and subordinated debt.....

-----  
9,039,0  
638,7  
-----

Long-term and subordinated debt -- Net.....

\$ 8,400,3  
=====

NOTE 7 -- LONG-TERM AND SUBORDINATED DEBT - CONTINUED

Minimum scheduled principal payments on long-term and subordinated debt to

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maturity as of August 31, 2004, are as follows:

2005.....	\$ 15,735,302
2006.....	--
2007.....	--
2008.....	--
2009.....	--
	-----
Total.....	\$ 15,735,302
	=====

The Company was not in compliance with the covenants of its long-term loan agreements causing all of the Company's debt to be classified as current in the financial statements.

The estimated fair value of the Company's notes payable and subordinated debt approximates its carrying amount.

NOTE 8 -- FEDERAL INCOME TAXES

The provision for federal income taxes is as follows:

	AUGUST 31		
	2002	2003	2004
	-----	-----	-----
Current expense.....	\$ --	\$ --	\$ --
Deferred expense (benefit).....	--	--	--
	-----	-----	-----
Income tax expense (benefit).....	\$ --.	\$ --	\$ --
	=====	=====	=====

The difference between the federal statutory tax rate and the Company's effective rate was:

	AUGUST 31		
	2002	2003	2004
	----	----	----
Federal statutory tax rate.....	(34%)	34%	(34%)
Effect of valuation allowance.....	34%	(36%)	34%
Other items.....	--	2%	--
	----	----	----
Effective tax rate.....	--	--	--
	====	====	====

The details of the net deferred tax liability are as follows:

AUGUST 31

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	2003	2004
Deferred tax liabilities:		
Depreciation .....	\$ (3,148,943)	\$ (3,323,376)
Deferred tax assets:		
Alternative minimum tax credit carryforward .....	164,000	160,978
Accrued lease expense .....	217,835	251,904
Deferred compensation and other items .....	78,208	136,255
Net operating loss carryforward .....	3,691,900	6,510,818
Total deferred tax assets .....	4,153,943	7,059,955
Valuation allowance recognized for deferred tax assets	(1,003,000)	(3,736,579)
Net deferred tax liability .....	\$ --	\$ --

The net operating loss carryforward arising in fiscal 2001, 2002 and 2004 will expire, if unused, in fiscal 2021, 2022 and 2024, respectively.

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Riviera Tool Company  
Notes to Financial Statements

NOTE 9 -- OPERATING LEASES

On June 26, 2003, the Company renegotiated its operating lease for its manufacturing and office facilities. The new noncancellable lease begins November 1, 2003 and expires on October 31, 2018. The agreement provides for annual lease payments plus an escalation of approximately \$.14 per square foot for the lease term. The Company has an option to renew this lease for an additional 10-year term at a rate based upon the then prevailing market rates for similar-type properties.

Generally accepted accounting principles require that rent expense related to this type of lease be recognized ratably over the term of the lease. The difference between the rent payments made and the amount of expense recognized has been recorded as accrued lease expense (a liability). For the year ended August 31, 2002, the lease expense exceeded cash payments made by \$16,359. For the year ended August 31, 2003, the cash payments made exceeded the lease expense by \$35,045. For the year ended August 31, 2004, the lease expense exceeded the cash payments by \$100,204.

The Company has various operating leases, including the noncancellable operating lease noted above, for facilities that expire during the next 15 years. Rent expense under these leases for the years ended August 31, 2002, 2003 and 2004 amounted to \$1,075,186, \$1,120,250 and \$1,098,955, respectively.

The following is a schedule of future minimum rent payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of August 31, 2004.

YEAR ENDED AUGUST 31,	LEASE PAYMENTS
	-----

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2005.....	\$	981,298
2006.....		988,298
2007.....		1,013,135
2008.....		1,039,332
2009.....		1,064,351
2010 and after.....		11,087,206
		-----
Total minimum payments required.....		\$16,173,620
		=====

NOTE 10 -- RETIREMENT PLANS

The Company has a profit-sharing plan that covers substantially all employees. The plan includes a 401(k) deferred-compensation option. The plan, as established, allows for discretionary contributions as determined annually by the Company's Board of Directors. No discretionary contribution was made for the years-ended August 31, 2002, 2003, and 2004. The Company also matches and contributes up to 15 percent of the employees' contributions, up to 2% of an employee's annual wage. Effective January 1, 2002, the Company, until further notice, suspended its matching share of the employees contribution. The Company's matching contributions to the plan for the years ended August 31, 2002, 2003 and 2004, amounted to \$31,324, \$0 and \$0, respectively.

The Company has an Executive Deferred Compensation Plan with an officer who is retiring effective December 31, 2004. Under the plan, upon the earlier of death or termination of executive's employment with the Company on or after attainment of age 65, the Company shall pay to the executive, his heirs and assigns a retirement benefit equal to \$50,000 per year for five years. The retirement benefit will commence on the first day of the second month following the death or termination of his employment with the Company on or after attainment of age 65. The retirement benefit shall continue with four additional payments of \$50,000 each. Death of the executive after the commencement of payments shall not reduce or eliminate subsequent payments due. The Company has a key-man life insurance policy for \$250,000 on such executive. As of August 31, 2004, the Company has recorded \$216,474 as a liability for the Executive Deferred Compensation Plan.

Riviera Tool Company  
Notes to Financial Statements

NOTE 11 -- STOCK OPTION PLANS

The Company's 1996 Stock Option Plan (the "Option Plan") was adopted by the Board of Directors and approved by the stockholders on October 31, 1996. Under the Option Plan, 250,000 shares of Common Stock were reserved for issuance and are intended to qualify as incentive stock options under the Internal Revenue Code of 1986, as amended. Stock options granted to Company personnel under the option plan are at exercise prices equal to the market value of the stock on the date of grant. The options vest one year from the date of option grant and the recipients must be employed by the Company at the time of exercise.

The Company's 1998 Key Employee Stock Option Plan (the "Key Option Plan") was adopted by the Board of Directors and approved by the stockholders on December 16, 1998. Under the Key Option Plan, 200,000 shares of Common Stock were reserved for issuance and do not qualify as incentive stock options under the Internal Revenue Code of 1986, as amended. Stock options granted to Company personnel and Directors under the option plan are at exercise prices equal to

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the market value of the stock on the date of grant. The options vest one year from the date of option grant and recipients must be employed by the Company at the time of exercise.

As permitted by SFAS No. 123, "Accounting for Stock-based Compensation," the Company continues to apply the provisions of Accounting Principles Board Opinion No. 25, which recognizes compensation expense under the intrinsic value method. The compensation cost, estimated under the fair value-based method defined in SFAS No. 123, was not significant.

A summary of the status of the Option Plan and Key Option Plan during the years' presented is as follows (no stock options were granted previous to fiscal 1999 under the 1996 Stock Option Plan and the 1998 Key Employee Stock Option Plan):

	Shares -----	Weighted Exer Pri -----
1996 STOCK OPTION PLAN, AS AMENDED		
Outstanding at end of year, August 31, 2001	120,000 =====	\$ 4. =====
Fiscal Year Ended August 31, 2002		
Stock options granted .....	-- -----	-----
Outstanding at end of year, August 31, 2002	120,000 =====	\$ 4. =====
Fiscal Year Ended August 31, 2003		
Stock options granted .....	-- -----	-----
Outstanding at end of year, August 31, 2003	120,000 =====	\$ 4. =====
Fiscal Year Ended August 31, 2004		
Stock options granted .....	-- -----	-----
Outstanding at end of year, August 31, 2004	120,000 =====	\$ 4. =====
1998 KEY EMPLOYEE STOCK OPTION PLAN		
Outstanding at end of year, August 31, 2001	97,000 =====	\$ 5. =====
Fiscal Year Ended August 31, 2002		
Stock options granted .....	-- -----	-----
Outstanding at end of year, August 31, 2002	97,000 =====	\$ 5. =====
Fiscal Year Ended August 31, 2003		
Stock options granted .....	--	-----
Stock options forfeited .....	(2,000)	\$ 3. -----
Stock options forfeited .....	(2,000)	\$6.6 -----
Outstanding at end of year, August 31, 2003	93,000 =====	\$ 5. =====
Fiscal Year Ended August 31, 2004		
Stock options granted .....	-- -----	-----
Outstanding at end of year, August 31, 2004	93,000 =====	\$ 5. =====

Riviera Tool Company  
Notes to Financial Statements

NOTE 12 -- WARRANTS

On March 16, 2004, the Company sold 394,737 shares of common stock in a private placement with four accredited investors for \$1,500,000. In connection with this purchase, the Company issued Series A Warrants for eighty percent warrant coverage of the initial shares purchased (315,789 shares) with half of such warrants having an exercisable price of 110% of the average of the 20 consecutive Closing Prices immediately prior to the March 16, 2004 (exercise price of \$5.07 per share) and the other half with an exercise price of 120% of the average of the 20 consecutive Closing Prices immediately prior to the March 16, 2004 (exercise price of \$5.53 per share). Such Series A Warrants are exercisable for five years commencing six months from the Closing date. In addition, the Company issued Series A Warrants to purchase up to 20,000 shares of common stock at the same price to the broker of the transaction. The Company also issued the purchasers Series B Warrants for purchase of up to and an additional 263,158 shares at \$3.80 per share. Such warrants are exercisable for eighteen months commencing six months after March 16, 2004.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

The Company maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time period specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures performed within 90 days of the filing date of this report, the Chief Executive and Chief Financial Officers of the Company concluded that the Company's disclosure controls and procedures were adequate.

The Company made no significant changes in its internal controls or in other factors that could significantly affect those controls subsequent to the date of the evaluation of those controls by the Chief Executive and Chief Financial Officers. While the Chief Executive and Chief Financial Officers of the Company believe that the Company's existing disclosure controls and procedures have been effective to accomplish its objectives, the Chief Executive and Chief Financial Officers of the Company intend to examine, refine, and formalize our disclosure controls and procedures and monitor ongoing developments.

Notwithstanding the foregoing, there can be no assurance that the Company's disclosure controls and procedures will detect or uncover all failures of persons within the Company and its consolidated subsidiaries to disclose material information otherwise required to be set forth in the Company's periodic reports.



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### ITEM 10. EXECUTIVE OFFICERS AND DIRECTORS OF THE REGISTRANT

Listed below are the names of the Directors of the Company, the year in which such Director's respective term expires, and a brief account of the business experience of each Director during the past five years.

NAME -----	POSITION -----
Leonard H. Wood (4)	Vice President and General Manager of the Company.....
Kenneth K. Rieth	President and Chief Executive Officer of the Company.....
Thomas H. Highley (5)	President and Chief Executive Officer, The Empire Company, Inc.....
Dr. Jay S. Baron	Director, Manufacturing Systems, Altarum, Center for Automotive Research.....
Richard V. Gillette	Director of Supplier Analysis, CSM Worldwide.....

(4) Mr. Wood resigned as a Director effective December 15, 2004 and will retire as Vice President and General Manager effective December 31, 2004.

(5) Mr. Highley resigned as a Director and member of the Audit, Nominating and Compensation Committees effective November 12, 2004.

KENNETH K. RIETH. Mr. Rieth has been a principal owner and President of Riviera Tool Company since 1980.

THOMAS H. HIGHLEY. Mr. Highley has been President and CEO of the Empire Company, Inc., a distributor of residential and commercial millwork products, since 1991. Mr. Highley resigned as a Director and member of the Audit, Nominating and Compensation Committees effective November 12, 2004

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LEONARD H. WOOD. Mr. Wood has been a Vice President of the Company since 1985. Prior to that time, he was Project Manager with American Motors Corporation. Mr. Wood resigned as a Director effective December 15, 2004 and will retire as Vice President and General Manager effective December 31, 2004.

DR. JAY S. BARON. Dr. Jay S. Baron has been a Director of Riviera Tool Company since 2002. Dr. Baron holds a Ph.D. and Master's Degree in Industrial and Operations Engineering. Dr. Baron currently is Director of Manufacturing Systems for Altarum - Center for Automotive Research. Previously, Dr. Baron was the Manager of Manufacturing Systems for the University of Michigan's OSAT department

RICHARD V. GILLETTE. Mr. Gillette has been a Director of Riviera Tool Company since January, 2004. Mr. Gillette currently is Director of Supplier Analysis of CSM Worldwide, a provider of specialized global automotive industry advice to commercial and investment banks, private equity firms, investment analysts and others. Previously, Mr. Gillette spent thirteen years as vice president of automotive forecasting at IRN, Inc.

### EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEES OF THE COMPANY

NAME -----	POSITION -----	AGE ---
---------------	-------------------	------------

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Kenneth K. Rieth	President, CEO and Director	46
Leonard H. Wood (1)	Vice.President, General Manager and Director	63
Peter C. Canepa	Secretary, Treasurer.and.CFO	46
Thomas J. Winters	Vice.President of Sales	63

(1) Mr. Wood resigned as a Director effective December 15, 2004 and will retire as Vice President and General Manager effective December 31, 2004.

Messrs. Rieth's and Wood's biographies are set forth above.

PETER C. CANEPA. Mr. Canepa has been Chief Financial Officer, Secretary and Treasurer of the Company since March, 1994.

THOMAS J. WINTERS. Mr. Winters has been Vice President of Sales of the Company since 1997.

### SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires Riviera's directors and executive officers and persons who own more than 10% of a registered class of the Company's equity securities, file reports of ownership on Forms 3,4,and 5 with the SEC. Officers, directors and beneficial owners of greater than 10% of the Company's Common Shares are required by the SEC's regulations to furnish the company with copies of all Forms 3, 4 and 5 forms they file.

Based solely on the Company's review of the copies of such forms it has received and written representations from certain reporting persons that they were not required to file reports on Form 5 for the fiscal year ended August 31, 2004, the Company believed that all its officers, directors and beneficial owners of greater than ten percent of the Company's Common Shares have filed all reports applicable to them with respect to transactions during the fiscal year ended August 31, 2004.

### CODE OF ETHICS

On November 3, 2004, the Company's Board of Directors adopted a Code of Ethics policy. The policy states that the Senior Financial Officers of the Company and members of the Finance Department hold an important and elevated role in corporate governance, Senior Financial Officers and Finance Members are vested with both the

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responsibility and authority to protect, balance, and preserve the interests of all stakeholders, including shareholders, clients, employees, suppliers, and citizens of the communities in which business is conducted. Senior Financial Officers and Finance Members fulfill this responsibility by prescribing, enforcing, and adhering to the Code of Ethics. The purpose of the Code of Ethics is to establish and document the principles that Senior Financial Officers and Finance Members are expected to adhere to and advocate. It is the Company's policy for its Senior Financial Officers and Finance Members to promote and follow a code of ethics that ensures all stakeholders' interest are appropriate balanced, protected and preserved. It is the responsibility of the Senior Financial Officers and Finance Members to abide by this Code, as well as, any other applicable Company policies or guidelines. Any violation of this Code may result in disciplinary action, up to and including immediate termination. A copy of the Company's Code of Ethics is available, free of charge, by contacting the Company.

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### INDEMNIFICATION OF OFFICERS AND DIRECTORS

The Company indemnifies its Directors and Officers to the fullest extent permitted by law so they will be free from undue concern about personal liability in connection with their service to the Company, as required under our by-laws.

### MEETINGS AND COMMITTEE OF THE BOARD OF DIRECTORS

The Board of Directors of the Company held four (4) formal meetings during the fiscal year ended August 31, 2004. The Audit Committee of the Board of Directors held four (4) formal meetings during the fiscal year ended August 31, 2004. The Compensation Committee of the Board of Directors held no formal meetings during the fiscal year ended August 31, 2004. Each incumbent director attended at least 75% of the meetings of the Board and the committees on which he served during the fiscal year ended August 31, 2004.

### REPORT OF THE AUDIT COMMITTEE

Members: James V. Gillette, Chairman and Financial Expert  
Thomas H. Highley (resigned as a Director and member of  
Nominating, Audit and Compensation Committees effective  
November 12, 2004)

Dr. Jay S. Baron

The Audit Committee is responsible for:

- recommending to the Board of Directors the retention or discharge of the independent public accountants
- reviewing the arrangements and scope of the audit and non-audit engagements;
- compensation of the independent public accountants;
- reviewing with the independent public accountants and the Company's financial officers the adequacy of the Company's internal financial controls;
- reviewing major changes in accounting policies; and
- maintaining direct lines of communication with the board of directors and Riviera's management and independent public accountants

The Audit Committee of the Board of Directors of Riviera Tool Company is responsible for providing independent, objective oversight for Riviera's financial reporting functions and internal control systems. The Audit committee is currently comprised of three nonemployee directors. Each of these members of the Audit Committee is independent as defined by the Securities and Exchange Commission regulations and the American Stock Exchange's listing standards. The Audit Committee operates under a written charter adopted by Riviera's Board of Directors.

The Audit Committee has reviewed and discussed with the Company's management and the Company's independent auditors the audited financial statements of the Company contained in the Company's fiscal 2003 Annual Report. Without limiting the foregoing, the Audit Committee has also discussed with the Company's independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended.

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The members of the Audit Committee have received and reviewed the written disclosures and the letter from Deloitte and Touche LLP required by Independence Standards Board Standard No. 1, Independence Discussions

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with Audit Committees, as amended, and have reviewed, evaluated and discussed with that firm its independence from the Company.

Recommendation to the Riviera Tool Company Board of Directors. Based on its review of the audited financial statements and the various discussions noted above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's fiscal 2004 Annual Report on Form 10-K for the year ended August 31, 2004.

The Audit Committee  
 James V. Gillette, Chairman  
 Thomas H. Highley  
 Dr. Jay S. Baron

ITEM 11. EXECUTIVE COMPENSATION

Directors who are employees of Riviera Tool Company receive no additional compensation for serving on the board of directors. On an annual basis, a non-employee director receives a fee of \$5,000.

The following table provides information about the compensation of the Company's Chief Executive Officer and two other most highly compensated executive officers at fiscal years ended August 31, 2002, 2003, and 2004. Two additional tables provide detailed information about the employees' stock options.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	FISCAL YEAR	ANNUAL SALARY	COMP-ENSATION BONUS (1)	OTHER ANNUAL COMP-ENSATION	RESTRI CTED STOCK AWARD	SECUR UNDER OPT SA
EXECUTIVE OFFICERS						
Kenneth K. Rieth..... President, CEO and Director	2004	\$250,000	\$ --	\$ --	--	--
	2003	\$250,000	31,500	--	--	--
	2002	165,000	--	--	--	--
Leonard H. Wood (4)..... Vice President, General Manager and Director	2004	\$150,000	\$ --	\$ --	--	--
	2003	\$150,000	--	--	--	--
	2002	150,000	--	--	--	--
Peter C. Canepa..... Secretary, Treasurer and CFO	2004	\$140,000	\$ 20,000	\$ --	--	--
	2003	\$140,000	--	--	--	--
	2002	140,000	--	--	--	--

OTHER EMPLOYEE

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Thomas J. Winters.....	2004	\$140,000	\$	--	\$	--
Vice President of	2003	\$140,000		--	--	--
Sales	2002	140,000		--	--	--

- (1) Does not include any value that might be attributable to job-related personal benefits, the annual value of which has not exceeded the lesser of 10% of annual salary plus bonus or \$50,000 for each executive officer.
- (2) Represents the dollar value of the premiums paid by the Company for life insurance policy maintained in respect an Executive Deferred Compensation Plan agreement with Mr. Wood. This Agreement provides that upon death, disability or retirement from service after reaching age 65, the employee or his heirs and assigns will receive \$50,000 per year for five consecutive years.
- (3) Required matching contribution by the Company to the 401(k) plan, which is maintained by the Company for its employees generally.
- (4) Mr. Wood resigned as a Director effective December 15, 2004 and will retire as Vice President and General Manager effective December 31, 2004.

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OPTION GRANTS TABLE

No stock options were granted during fiscal year ended August 31, 2004.

OPTION EXERCISES TABLE

The following table provides information on the value of options held by each of the executive officers of the Company at August 31, 2003 measured in terms of the closing price of the Company's Common Shares on that day. There were no options exercised by any officer during the year.

Name and Principal Position	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options/SARs at August 31, 2004 Exercisable (shares)	Value of Unexercised Options In-the-Money Options at August 31, 2004
Kenneth K. Rieth - President, C.E.O. & Chairman .....	--	--	100,000	\$ 0
Leonard H. Wood - Vice President, General Manager and Director .....	--	--	30,000 (2)	\$ 0
Peter C. Canepa - Secretary, Treasurer and CFO .....	--	--	30,000 (2)	\$ 0
Thomas J. Winters Vice President of Sales .....	--	--	30,000 (2)	\$ 0

- (1) On November 2, 1998, Mr. Rieth was granted a stock option for 50,000 shares, exercisable at \$6.625 per share under the 1998 Key Employee Stock

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Option Plan, expiring November 2, 2008. On November 24, 2000, Mr. Rieth was granted a stock option for 50,000 shares, exercisable at \$3.75 per share after November 24, 2000 and expires November 2, 2009.

- (2) On November 2, 1998, Messrs. Wood, Winters and Canepa were granted stock options for 10,000 shares each, exercisable at \$6.625 per share under the 1996 Incentive Employee Stock Option Plan, as amended, expiring November 2, 2008. On November 24, 2000, Messrs. Wood, Winters and Canepa were granted a stock options for 20,000 shares each, exercisable at \$3.75 per share after November 24, 2000 and expires November 2, 2009.

### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the compensation committee during fiscal year ended 2004 were Thomas H. Highley, Richard V. Gillette and Dr. Jay S. Baron. Neither Messrs. Highley, Gillette nor Dr. Baron were ever an officer or employee of the Company or any of its subsidiaries, and none of them had any relationship requiring disclosure by the Company under Item 404 of Regulation S-K for the fiscal year ended 2004.

### COMPENSATION COMMITTEE REPORT

The duty of the Committee is to recommend to the Board of Directors the remuneration arrangements for Kenneth K. Rieth, President and Chief Executive Officer of the Company, as well as grant stock options under the Company's 1996 Incentive Stock Option Plan, as amended, and the 1998 Key Employee Stock Option Plan. The Company's Board of Directors has given Mr. Rieth the authority to set the compensation for senior management.

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### COMPENSATION PROGRAMS

#### BASE SALARY

The Committee reviews each officer's salary annually. In determining appropriate salary levels, consideration is given to scope of responsibility, experience, Company and individual performance as well as pay practices of other companies relating to executives with similar responsibility.

In addition, with respect to the base salary of Mr. Rieth, the Compensation Committee has acknowledged the longevity of Mr. Rieth's service to the Company and its belief that Mr. Rieth is an excellent representative of the Company within the industry. In assessing Mr. Rieth's compensation, the committee engaged an independent firm to perform a review of his proposed compensation. Upon completion of such review, the Board of Directors established Mr. Rieth's base salary on April 25, 2003. This base compensation consists of a regular payroll payment of \$250,000 per year plus an annual bonus equal to 3.5% of the Company's income from operations before such bonus expense. Messrs. Canepa and Wood received a base salary of \$140,000 and \$150,000, respectively for fiscal 2004.

#### BONUS AWARDS

The Company's officers may be considered for annual cash bonuses, which are awarded to recognize and reward corporate and individual performance based on meeting specified goals and objectives. The plan in effect for fiscal 2004 for Mr. Rieth did not provide a bonus to Mr. Rieth. In determining a bonus to Mr. Rieth, the Committee reviews compensation levels and financial results available to it for chief executive officers for similarly sized companies as well as those located near the Company's headquarters. Mr. Rieth recommends to

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the Committee Messrs. Canepa's and Wood's bonus based on his review of corporate and Messrs. Canepa's and Wood's individual performances as well as the performance bonus the management team awards to employees of the Company other than Messrs. Canepa, Wood and Rieth.

### STOCK OPTIONS

Under the Company's 1996 Incentive Stock Option Plan, as amended, stock options may be granted to the Company's key employees including Messrs. Rieth, Wood and Canepa. The number of options granted is determined by the subjective evaluation of the person's ability to influence the Company's long-term growth and profitability. For fiscal 2004, no stock options were issued under such plan.

Under the Company's 1998 Key Employee Stock Option Plan, stock options may be granted to the Company's key employees and directors including Messrs. Rieth, Baron, Highley Wood, Gillette and Canepa. The number of options granted is determined by the subjective evaluation of the person's ability to influence the Company's long-term growth and profitability. For fiscal 2004, no stock options were issued under such plan.

Stock options are granted with an exercise price equal to the market price of the Common Shares on the date of grant. Since the value of an option bears a direct relationship to the Company's stock price, it is an effective incentive for employees to create value for shareholders. The Committee therefore views stock options as an important component of its future compensation policy.

#### The Compensation Committee

Thomas H. Highley, Chairman  
James V. Gillette  
Jay S. Baron, Secretary

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### STOCK PERFORMANCE GRAPH

The following line graph compares the cumulative total shareholder return for the Company's Common Shares with the cumulative total return of the Standards & Poors 500 Composite Index and an index of peer companies selected by the Company.

The comparison assumes \$100 was invested on March 4, 1997 (the date of the Company's initial public offering) in the Company's Common Shares, the S & P 500 Composite Index and the peer group. The companies in the peer group, all of which are in the automotive industry, are as follows:

Dana Corporation	Hayes Lemmerz International Inc.	Spartan Motors Inc.
Gentex Corporation	Magna International Inc.	Tower Automotive Inc
	Superior Industries International	

Company Name/Index	INDEXED RETURNS Years Ending				
	-----				
	Base Period	Cumulative Total Return			
	March 4, 1997	Aug. 31, 2000	Aug. 31, 2001	Aug. 31, 2002	Aug. 31, 2003
	----	----	----	----	----

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RIVIERA TOOL COMPANY	\$100	\$ 67.71	\$33.38	\$32.27	\$107.87
S & P 500	\$100	\$116.32	\$87.95	\$72.12	\$ 80.83
PEER GROUP	\$100	\$ 80.48	\$88.99	\$88.81	\$103.14

[PERFORMANCE GRAPH]

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth information with respect to the beneficial ownership of the Company's common stock as of December 15, 2004 with respect to (i) each stockholder known by the Company to be the beneficial owner of 5% of the Company's common stock; (ii) each of the Company's directors; (iii) each Executive Officer or Significant Employee listed in the Summary Compensation Table under the heading "Executive Compensation" and (iv) all directors and executive officers as a group. On the table, 3,774,346 shares of common stock were issued and outstanding. Unless otherwise indicated, all persons named as beneficial owners of common stock have sole voting power and sole investment power with respect to the shares indicated as beneficially owned

BENEFICIAL OWNERSHIP TABLE

NAME OF BENEFICIAL HOLDER -----	ADDRESS -----	COMMON SHARES BENEFICIALLY OWNED -----
Kenneth K. Rieth	5460 Executive Parkway SE, Grand Rapids, MI 49512	769,216 (1)
Leonard H. Wood (4)	5460 Executive Parkway SE, Grand Rapids, MI 49512	30,551 (2)
Thomas H. Highley (5)	8181 Logistic Drive, Zeeland, MI 49464	2,000 (3)
Dr. Jay S. Baron	1000 Victors Way, Suite 200, Ann Arbor, MI 48108	--
Richard V. Gillette	1669 Hamilton Road, Suite 210, Okemos, MI 48864	1,000
Peter C. Canepa	5460 Executive Parkway SE, Grand Rapids, MI 49512	35,512 (2)
Thomas J. Winters	5460 Executive Parkway SE, Grand Rapids, MI 49512	20,000 (2)
ALL DIRECTORS, EXECUTIVE OFFICERS AND SIGNIFICANT EMPLOYEE AS A GROUP (7 PERSONS)		858,279 =====

- (1) Riviera Holding Company, 100% owned by Kenneth K. Rieth, President and CEO of Riviera Tool Company, owns 635,250 shares of the Common Shares of Riviera Tool Company. Amount also includes 2,100 shares of Common Shares owned by Mr. Rieth as custodian for his minor children and 100,000 shares, which Mr. Rieth has the right to acquire through exercise, of a stock options granted under the 1998 Key Employee Stock Option Plan.
- (2) Amount includes 30,000 shares of which Mr. Wood, Mr. Winters and Mr. Canepa each have the right to acquire through exercise of a stock option grant under the 1996 Incentive Stock Option Plan.
- (3) Amount includes 2,000 shares of which each referenced director or officer has the right to acquire through exercise of a stock option grant under the 1998 Key Employee Stock Option Plan.
- (4) Mr. Wood resigned as a Director effective December 15, 2004 and will



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retire as Vice President and General Manager effective December 31, 2004.

(5) Mr. Highley resigned as a Director effective November 12, 2004.

\* Beneficial ownership of less than 0.1% of the class.

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### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

#### EQUITY COMPENSATION PLAN INFORMATION AS OF AUGUST 31, 2004

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS
	(a)	(b)
Equity compensation plans approved by security holders	0	\$ 0
Equity compensation plans not approved by security holders	217,000 shares	\$4.99
	-----	-----
Total	217,000 shares	\$4.99

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS - NONE

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The Board of Directors of the Company has selected the public accounting firm of Deloitte & Touche LLP to report on the Company's financial statements for fiscal 2005, and the shareholders are being asked to ratify this selection. Deloitte & Touche LLP has been the public accounting firm retained by the Company since 1999.

Deloitte and Touche LLP's fees for professional services total \$114,320 for the year ended August 31, 2004 out of a total of \$122,070 in fees paid for professional services to all accounting firms. Deloitte and Touche LLP fees for professional services included the following:

- Audit Fees - Deloitte and Touche LLP fees relating to the year ended August 31, 2004 audit and quarterly reviews were \$81,425 and \$18,000, respectively.
- Private Placement Fees - Deloitte and Touche LLP fees relating to the issuance of consents and review of the Form S-3 related to the private placement offering memorandum was \$6,695.
- Financial Information Systems Design and Implementation Fees - There were no fees incurred for financial information system design and implementation services.
- All Other Fees - Deloitte and Touche LLP fees relating the audit of the Company's 401(k) Plan were \$8,200.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

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

1. Financial Statements - The Financial Statements of Riviera Tool Company in Item 8 hereof are filed as part of this Annual Report on Form 10-K.

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2. Exhibits

- 10(gg) Financing Arrangements between Registrant and Comerica Bank, dated November 16, 2004.
- 10(hh) Forebearance Agreement between Registrant and Comerica Bank, dated December 15, 2004.
- 10(ii) Industrial Lease Agreement between Massachusetts Mutual Life Insurance Company and Riviera Tool Company dated June 26, 2003
- 21 Subsidiaries - None
- 31.1 Written Statement of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 Sec. 302
- 31.2 Written Statement of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 Sec. 302
- 32 Written Statements of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 Sec. 906

(b) Reports on Form 8-K

File Date	Item	
-----	----	
December 15, 2004	5.02	Departure of Directors or Principal Officer
December 20, 2004	3.01	Notice of Delisting or Failure to Satisfy a Continued Listing R
	&	or Standard: Transfer of Listing
	8.01	Other Events

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SIGNATURES

Pursuant to the requirement of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: December 27, 2004.

RIVIERA TOOL COMPANY

By: /s/ Kenneth K. Rieth

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Kenneth K. Rieth, Principal  
Executive Officer  
and

By: /s/ Peter C. Canepa

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Peter C. Canepa, Principal  
Financial and Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the 27th day of December, 2004, by the following persons on behalf of the Company and in the capacities indicated.

Each Director of the Company whose signature appears below hereby appoints Kenneth K. Rieth and Peter C. Canepa, and each of them individually, as his attorney-in-fact to sign in his name and on his behalf as a Director of the Company, and to file with the Commission any and all amendments to this report on Form 10-K to the same extent and with the same effect as if done personally.

/s/ Jay S. Baron

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Jay S. Baron, Director

/s/ Kenneth K. Rieth

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Kenneth K. Rieth, Director

/s/ James V. Gillette

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James V. Gillette, Director

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EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
-----	-----
EX-10 (gg)	Financing Arrangements between Registrant and Comerica Bank, dated November 16, 200
EX-10 (hh)	Forebearance Agreement between Registrant and Comerica Bank, dated December 15, 200
EX-10 (ii)	Industrial Lease Agreement between Massachusetts Mutual Life Insurance Company dated June 26, 2003
EX-21	Subsidiaries - None
EX-31.1	Written Statement of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
EX-31.2	Written Statement of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350
EX-32	Written Statements of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 Sec. 906