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RIVIERA TOOL CO
Form 10-Q/A
April 15, 2005

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

FORM 10-Q/A

(Mark One)

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

For the quarterly period ended November 30, 2004

OR

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

For the transition period from _____ to _____

Commission file no. 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 S.E., Grand Rapids, Michigan 49512

(Address of principal executive offices) (Zip Code)

(616) 698-2100

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the Registrant is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act).

Yes No

There were 3,774,346 shares of the Registrant's common stock outstanding as of January 14, 2005.

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RIVIERA TOOL COMPANY
FINANCIAL STATEMENTS

BALANCE SHEETS

| | | NOVEMBER 2004 |
|--|------|------------------|
| | NOTE | (UNAUDIT |
| | ---- | ----- |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash..... | | \$ 8 |
| Accounts receivable..... | | 9,3 |
| Costs in excess of billings on contracts in process..... | 2 | 1,4 |
| Inventories..... | | 2 |
| Prepaid expenses and other current assets..... | | 2 |

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| | | | |
|---|---|----|-------|
| Total current assets..... | | | 12,1 |
| PROPERTY, PLANT AND EQUIPMENT, NET..... | 3 | | 12,1 |
| PERISHABLE TOOLING..... | | | 7 |
| OTHER ASSETS..... | | | 6 |
| | | | ----- |
| Total assets..... | | \$ | 25,7 |
| | | | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Current portion of long-term debt..... | 4 | \$ | 14,8 |
| Accounts payable..... | | | 3,9 |
| Accrued liabilities..... | | | 6 |
| | | | ----- |
| Total current liabilities..... | | | 19,3 |
| LONG-TERM DEBT..... | 4 | | |
| ACCRUED LEASE EXPENSE..... | | | 7 |
| DEFERRED COMPENSATION..... | | | 1 |
| DEFERRED INTEREST..... | 4 | | |
| | | | ----- |
| Total liabilities..... | | | 20,4 |
| | | | ----- |
| PREFERRED STOCK - no par value, \$100 mandatory redemption value: | | | |
| Authorized - 5,000 shares | | | |
| Issued and outstanding - no shares..... | | | |
| STOCKHOLDERS' EQUITY: | | | |
| Preferred stock - no par value, | | | |
| Authorized - 200,000 shares | | | |
| Issued and outstanding - no shares..... | | | |
| Common stock - No par value: | | | |
| Authorized - 9,785,575 shares | | | |
| Issued and outstanding - 3,774,346 shares | | | |
| As of November 30 and August 31, 2004..... | | | 16,4 |
| Retained deficit..... | | | (11,1 |
| | | | ----- |
| Total stockholders' equity..... | | | 5,3 |
| | | | ----- |
| Total liabilities and stockholders' equity..... | | \$ | 25,7 |
| | | | ===== |

See notes to financial statements

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| | | | |
|--|----|-----------|-------|
| SALES..... | \$ | 4,552,551 | \$ |
| COST OF SALES..... | | 4,038,460 | |
| | | ----- | ----- |
| GROSS PROFIT..... | | 514,091 | |
| SELLING AND ADMINISTRATIVE EXPENSES..... | | 579,341 | |
| | | ----- | ----- |
| INCOME/(LOSS) FROM OPERATIONS..... | | (65,250) | |
| OTHER EXPENSE | | | |
| INTEREST EXPENSE..... | | 393,163 | |
| OTHER EXPENSE..... | | 6,227 | |
| | | ----- | ----- |
| TOTAL OTHER EXPENSE..... | | 399,390 | |
| INCOME/(LOSS) BEFORE INCOME TAX EXPENSE..... | | (464,640) | |
| | | ----- | ----- |
| INCOME TAX EXPENSE..... | | -- | |
| | | ----- | ----- |
| NET INCOME/(LOSS) AVAILABLE FOR COMMON SHARES..... | \$ | (464,640) | \$ |
| | | ===== | ===== |
| BASIC AND DILUTED INCOME/(LOSS) PER COMMON SHARE..... | \$ | (.12) | \$ |
| | | ===== | ===== |
| BASIC AND DILUTED COMMON SHARES OUTSTANDING..... | | 3,774,346 | |
| | | ===== | ===== |

See notes to financial statements

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RIVIERA TOOL COMPANY
STATEMENT OF CASH FLOWS
(UNAUDITED)

| | FOR THE THREE MONTHS ENDED NOVEMBER 30, | |
|--|--|------------|
| | 2004 | 2003 |
| | ----- | ----- |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income/(loss)..... | \$ (464,640) | \$ 237,929 |
| Adjustments to reconcile net income/(loss) to net cash from operating activities: | | |
| Depreciation and amortization..... | 427,701 | 421,600 |
| (Increase) decrease in assets: | | |
| Accounts receivable..... | 3,717,570 | 3,564,092 |

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| | | |
|--|-------------------|-----------------|
| Costs in excess of billings on contracts in process..... | (806,568) | 898,997 |
| Perishable tooling..... | (54,150) | (5,933) |
| Prepaid expenses and other current assets | 27,737 | 23,396 |
| Increase (decrease) in liabilities: | | |
| Accounts payable..... | (992,895) | (1,748,091) |
| Accrued outsourced contracts payable..... | -- | 826,411 |
| Accrued lease expense..... | 23,292 | 25,050 |
| Accrued liabilities..... | 119,263 | 232,210 |
| | ----- | ----- |
| Net cash provided from operating activities..... | \$ 1,997,310 | \$ 4,475,661 |
| | ----- | ----- |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Increase in other assets..... | (20,546) | (22,462) |
| Additions to property, plant and equipment | (230,283) | (124,794) |
| | ----- | ----- |
| Net cash used in investing activities..... | \$ (250,829) | \$ (147,256) |
| | ----- | ----- |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net repayments on revolving credit line..... | (747,696) | (4,170,053) |
| Principal payments on notes payable to bank and non-revolving equipment line of credit..... | (162,468) | (157,152) |
| Deferred interest | 45,912 | -- |
| | ----- | ----- |
| Net cash used in financing activities..... | \$ (864,252) | \$ (4,327,205) |
| | ----- | ----- |
| NET INCREASE IN CASH..... | \$ 882,229 | \$ 1,200 |
| | ----- | ----- |
| CASH - Beginning of Period..... | 1,200 | -- |
| | ----- | ----- |
| CASH - End of Period..... | \$ 883,429 | \$ 1,200 |
| | ===== | ===== |

See notes to financial statements

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RIVIERA TOOL COMPANY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2004

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited interim financial statements (the "Financial Statements") of Riviera Tool Company (the "Company") have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, the Financial Statements do not include all the information and footnotes normally included in the annual financial statements prepared in accordance with generally accepted accounting principles.

In the opinion of management, the Financial Statements reflect all adjustments (consisting only of normal recurring adjustments) necessary to present fairly such information in accordance with generally accepted accounting principles. These Financial Statements should be read in conjunction with the financial statements and footnotes thereto included in the Company's Form 10-K dated

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December 27, 2004, for the fiscal year ended August 31, 2004.

The Company's financial statements were prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. During fiscal 2004, the Company sustained both a significant loss from operations as well as net loss. This loss resulted in an accumulated deficit. 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 currently has an extension of such agreement until March 15, 2005. These factors, among other things, raised 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.

The results of operations for the three-month period ended November 30, 2004 may not be indicative of the results to be expected for the full year.

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.

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RIVIERA TOOL COMPANY
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2004

NOTE 2 - COSTS AND BILLINGS ON CONTRACTS IN PROCESS

Costs and billings on contracts in process are as follows:

NOVEMBER 30,
2004

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| | | |
|---|----|---------|
| Costs incurred on contracts in process under the percentage of completion method..... | \$ | 4,829,1 |
| Estimated gross loss..... | | (625,0 |
| | | ----- |
| Total..... | | 4,204,1 |
| Less progress payments received and progress billings to date..... | | 2,794,7 |
| Plus costs incurred on contracts in process under the completed contract method..... | | 66,3 |
| | | ----- |
| Costs in excess of billings on contracts in process..... | \$ | 1,475,7 |
| | | ===== |

Included in estimated gross profit for November 30, 2004 and August 31, 2004 are jobs with losses accrued of \$871,659 and \$5,190,491, respectively.

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net consist of the following:

| CATEGORY | | NOVEMBER 30 2004 |
|---|----|---------------------|
| ----- | | ----- |
| Leasehold improvements..... | \$ | 1,48 |
| Office furniture and fixtures..... | | 17 |
| Machinery and equipment..... | | 23,08 |
| Construction in Process..... | | 7 |
| Computer equipment and software..... | | 2,81 |
| Transportation equipment..... | | 10 |
| | | ----- |
| Total cost..... | | 27,74 |
| Less Accumulated depreciation and amortization..... | | 15,61 |
| | | ----- |
| Net carrying amount..... | \$ | 12,13 |
| | | ===== |

NOTE 4 - LONG-TERM DEBT

The Company's long-term debt consists of the following:

| REVOLVING WORKING CAPITAL CREDIT LINE | | NOVEMBER 30 2004 |
|--|----|---------------------|
| ----- | | ----- |
| 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 \$5.0 million until January 28, 2005, thereafter such amount reduces to \$4.0 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 March 15, 2005, and bears interest, payable monthly, at 4.0% above the bank's prime rate (as of November 30, an effective rate of 9%)..... | \$ | 9,101,8 |

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RIVIERA TOOL COMPANY
 NOTES TO FINANCIAL STATEMENTS
 NOVEMBER 30, 2004

NOTE 4 - LONG-TERM DEBT - CONTINUED

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 March 15, 2005 | 1,300,000 |
| 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 March 15, 2005 | 416,971 |
| Subordinated note payable to bank, payable in monthly installments of \$31,000, including interest at 11%, due January 1, 2008 | 1,008,124 |

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 | 3,000,000 |
| Total debt | 14,826,931 |
| Less current portion of long-term and subordinated debt | 14,826,931 |
| Long-term and subordinated debt -- Net | \$ -- |

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table presents, for the periods indicated, the components of the Company's Statement of Operations as a percentage of sales.

| For The Three Months Ended November 30 | |
|---|-------|
| 2004 | 2003 |
| ----- | ----- |

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| | | |
|--|---------|--------|
| SALES..... | 100.0% | 100.0% |
| COST OF SALES..... | 88.7% | 89.8% |
| | ----- | ----- |
| GROSS PROFIT..... | 11.3% | 10.2% |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSE... | 12.7% | 4.8% |
| | ----- | ----- |
| INCOME/(LOSS) FROM OPERATIONS... | (1.4%) | 5.4% |
| INTEREST EXPENSE..... | 8.7% | 2.5% |
| OTHER EXPENSE..... | 0.1% | -- |
| | ----- | ----- |
| TOTAL OTHER EXPENSE..... | 8.8% | 2.9% |
| INCOME/(LOSS) BEFORE INCOME TAX EXPENSE..... | (10.2%) | 2.9% |
| INCOME TAX EXPENSE..... | -- | -- |
| | ----- | ----- |
| NET INCOME/(LOSS) | (10.2%) | 2.9% |
| | ===== | ===== |

FORWARD-LOOKING STATEMENT; RISKS AND UNCERTAINTIES

CERTAIN INFORMATION INCLUDED IN THIS QUARTERLY REPORT ON FORM 10-Q AND OTHER MATERIALS FILED OR TO BE FILED BY THE COMPANY WITH THE SECURITIES AND EXCHANGE COMMISSION CONTAIN CERTAIN STATEMENTS THAT MAY BE CONSIDERED FORWARD-LOOKING. 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," "UNDERSTANDING," OR "CONTINUE," THE NEGATIVE OR OTHER VARIATION THEREOF, OR COMPARABLE TERMINOLOGY, ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. IN ADDITION, FROM TIME TO TIME, THE COMPANY MAY RELEASE OR PUBLISH FORWARD-LOOKING STATEMENTS RELATING TO SUCH MATTERS AS ANTICIPATED FINANCIAL PERFORMANCE, BUSINESS PROSPECTS, TECHNOLOGICAL DEVELOPMENTS AND SIMILAR MATTERS. THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 PROVIDES A SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS. IN ORDER TO COMPLY WITH THE TERMS OF THE SAFE HARBOR, THE COMPANY NOTES THAT A VARIETY OF FACTORS COULD CAUSE THE COMPANY'S ACTUAL RESULTS AND EXPERIENCE TO DIFFER MATERIALLY FROM THE ANTICIPATED RESULTS OR OTHER EXPECTATIONS EXPRESSED IN THE COMPANY'S 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.

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BASIS OF PRESENTATION

The Company's financial statements were prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. During fiscal 2004, the Company sustained both a significant loss from operations as well as net loss. This loss resulted in an accumulated deficit. 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 currently has an extension of such agreement until March 15, 2005. These factors, among other

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things, raised 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.

The results of operations for the three-month period ended November 30, 2004 may not be indicative of the results to be expected for the full year.

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.

COMPARISON OF THE THREE MONTHS ENDED NOVEMBER 30, 2004 TO THE THREE MONTHS ENDED NOVEMBER 30, 2003.

REVENUES - Revenues for the three months ended November 30, 2004 totaled \$4.6 million as compared to \$8.3 million for the three months ended November 30, 2003, a decrease of \$3.7 million or 45%. This decrease was a result of the Company concluding two significant tooling programs during the fourth quarter of fiscal 2004 and the first quarter of fiscal 2005. The customers for these programs were Tier One suppliers to a European automaker.

All the dies for these two programs were completed and shipped by the end of the first quarter of 2005. Upon completion and finalization of all costs related to the manufacture of these dies, these two programs totaled approximately \$46 million in revenue with a resulting net loss of \$4 million.

The Company's backlog of awarded contracts, which are all believed to be firm, was approximately \$4.6 million and \$22.1 million as of November 30, 2004 and 2003, respectively. Subsequent to November 30, 2004, the Company received an additional \$4.9 million in new orders, which are not reflected in the November 30, 2004 backlog amount. The Company expects all backlog contracts will be reflected in sales during fiscal years ending August 31, 2005 and 2006.

COST OF SALES - Cost of goods sold decreased from \$7.5 million for the first quarter of fiscal 2004 to \$4.0 million for 2005 and, as a percent of sales, decreased from 89.8% for 2004 to 88.7% for 2005. Direct costs (materials and labor) decreased by \$3.2 million, from \$5.1 million for 2004 to \$1.9 million for 2005. Engineering expense decreased by \$205,000 from \$661,000 for 2004 to

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\$456,000 for 2005. Lastly, of the cost of goods sold,

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manufacturing overhead decreased by \$56,000 from \$1.71 million for 2004 to \$1.66 million for 2005. Additional details of these changes in cost of sales for the first quarters of fiscal 2004 and 2005 are as follows:

- Direct materials expense decreased from \$1.1 million for 2004 to \$0.4 million for 2005 and decreased as a percent of sales from 13.4% to 8.8%. This decrease was largely due to lower contract volume requirements and backlog mix during 2005 as compared to 2004. Outside services expense decreased from \$2.4 million for 2004 to \$259,000 for 2005 and as a percent of sales from 28.8% to 5.6%. This decrease was largely due to the Company incurring expense related to its outsourced revenue during the first quarter of 2004. The balance of the outside services expense decrease was due to lower sales volumes and corresponding decreases in outsourcing certain machining, die patterns, laser cutting, heat treat and outside design services.
- Direct labor expense decreased from \$1.6 million for 2004 to \$1.3 million for 2005. However, as a percent of sales, direct labor increased from 18.9% to 27.7%. This change was a result of the Company incurring a 19% decrease in direct labor hours, from 75,000 hours in 2004 to 61,000 in 2005. Of the total direct labor expense, regular or straight time decreased by \$263,000 however as a percent of sales, increased from 12.7% for 2004 to 17.5% for 2005 due to decreased sales volume. Overtime expense decreased from \$515,000 for 2004 to \$467,000 for 2005, however as a percent of sales, increased from 6.2% for 2004 to 10.2% for 2005.
- Engineering expense decreased from \$660,000, 7.9% of sales, for 2004 to \$456,000, 10.0% of sales, for 2005. This decrease was due to the Company's decrease in awarded contracts and the resulting decrease in the number of engineering personnel necessary to fulfill the design and project management portions of the Company's current contract backlog.
- Manufacturing overhead was \$1.66 million or 36.5% of sales for 2005 as compared to \$1.71 million or 20.6% of sales for 2004. During 2005, decreases in manufacturing overhead were largely due to a \$71,000 decrease in indirect labor and payroll tax expense, a \$28,000 decrease in medical insurance premiums and a \$17,000 decrease in building rent expense. These decreases were offset by increases of \$42,000 in machinery repair and maintenance and \$34,000 in perishable tooling expense. The increase of approximately 15.9% of manufacturing overhead, as a percent of sales, was largely due to lower overhead absorption from the decrease in sales volumes.

SELLING AND ADMINISTRATIVE EXPENSE. Selling and administrative expense increased from \$403,000 for the first quarter of 2004 to \$579,000 for 2005. As a percent of sales, selling and administrative expense increased from 4.8% for 2004 to 12.7% for 2005 due to the lower sales volume. The largest selling and administrative expense increases included \$60,000 in travel expenses, \$49,000 in legal and professional expenses, \$34,000 in salaries and wages and \$16,000 in public company costs.

INTEREST EXPENSE. Interest expense increased from \$209,000 for 2004 to \$393,000 for 2005. This increase was largely due to the Company's increased debt levels during the first quarter of 2005 as compared to 2004. These increases include \$3.0 million of subordinated debt issued in the fourth quarter of fiscal 2004. In addition, the interest rates on the revolver and certain term debt increased during the first quarter of fiscal 2005.

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FEDERAL INCOME TAXES

For the three months ended November 30, 2004, the Company recorded a valuation allowance of approximately \$158,000 to offset the income tax benefit. For the three months ended November 30, 2003, the Company recorded a reduction in the valuation allowance of approximately \$81,000 to offset the income tax expense.

LIQUIDITY AND CAPITAL RESOURCES

During the three months ended November 30, 2004, the Company's cash provided by operating activities was \$2.0 million. This largely resulted from a decrease of \$3.7 million in account receivables, a \$807,000 increase in contracts in process and a \$993,000 decrease in accounts payable. From investing activities, the Company incurred an increase

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in other assets (cash surrender value of life insurance policies) of \$20,000 and \$230,000 in additions to property, plant and equipment. The Company used \$748,000 to reduce the revolving line of credit and \$162,000 to reduce other debt.

The Company's total bank debt as of November 30, 2004, is \$14.8 million, all of which is classified as short-term debt. As of November 30, 2004, the Company was in default of its loan covenants with its lenders. As a result the Company has negotiated a \$5.0 million Revolving Line of Credit until January 28, 2005, thereafter such amount reduces to \$4.0 million. The Revolving Line of Credit has a balance outstanding of approximately \$4.6 million, as of January 3, 2005. The Company also has term notes with an aggregate outstanding balance of \$1,716,971, expiring March 15, 2005. 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 \$4,008,124 which includes \$1,008,124 bearing interest at 11% and \$3,000,000 bearing interest at 14% plus deferred interest of 6%.

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 the 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

None.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures: The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15d, and 15d-15(e) under the securities and Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report. Based upon such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective.

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Changes in Internal Control Over Financial Reporting: There were no changes in the Company's internal control over financial reporting during the Company's first quarter ended November 31, 2004, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

10(jj) Forbearance Agreement between Registrant and Comerica Bank, dated January 6, 2005

31.1 Written Statement of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 Sec

31.2 Written Statement of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 Sec

32.2 Written Statement of the Chief Executive Officer and Chief Financial Officer Pursuant to Section 1350 Sec. 302

(b) Reports on Form 8-K:

None

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SIGNATURES

Pursuant to the requirements 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.

Date: April 15, 2005

Riviera Tool Company

/s/ Kenneth K. Rieth

Kenneth K. Rieth
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Peter C. Canepa

Peter C. Canepa
Chief Financial Officer, Treasurer and Secretary
(Principal Financial and Accounting Officer)

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EXHIBITS INDEX

| Exhibit no. | Exhibit Description |
|-------------|--|
| 10(jj) | Forbearance Agreement between Registrant and Comerica Bank, dated January 6, 2005 |
| 31.1 | Written Statement of the Chief Executive Officer Pursuant to 18 U.S.C. Section 13 |
| 31.2 | Written Statement of the Chief Financial Officer Pursuant to 18 U.S.C. Section 13 |
| 32.2 | Written Statement of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 Sec. 302 |