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RIVIERA TOOL CO  
Form 10-K  
December 01, 2003

United States Securities and Exchange Commission  
Washington D.C. 20549

FORM 10-K

(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, 2003

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<br>incorporation or organization) | (I.R.S. Employer<br>Identification No.) |
| 5460 EXECUTIVE PARKWAY SE<br>GRAND RAPIDS, MI                     | 49512                                   |
| -----   | -----                                   |
| (Address of principal executive<br>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.

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

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 \$8,102,591 as of November 24, 2003.

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The number of shares outstanding of the Registrant's common stock as of December 1, 2003 was 3,379,605 shares of common stock without par value.

## DOCUMENTS INCORPORATED BY REFERENCE:

| Document  | Part of Form 10-K Into Which Portions<br>of Documents are Incorporated |
|---|--|
| Portions of the Proxy Statement for the Registrant's 2004 Annual Meeting of Shareholders to be filed within 120 days after the end of Registrant's fiscal year are incorporated by reference in Parts I, II III and IV. | Parts I, II III and IV   |

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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 1, 2003

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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 2001, 2002 and 2003.

| CUSTOMER   | YEAR ENDED AUGUST 31, |       |         |      |         |      |
|--|-----------------------|-------|---------|------|---------|------|
|  | 2001                  |       | 2002    |      | 2003    |      |
|  | AMOUNT                | %     | AMOUNT  | %    | AMOUNT  | %    |
| Suppliers of Mercedes-Benz                                     | \$ --                 | --%   | \$ --   | --%  | \$ 19.2 | 56%  |
| BMW  | --                    | --    | 0.6     | 4    | 0.3     | 1    |
| Suppliers of BMW   | --                    | --    | 0.6     | 4    | 3.0     | 10   |
| DaimlerChrysler AG.....  | 2.6                   | 21.7% | 0.9     | 6    | 1.9     | 6    |
| Suppliers of DaimlerChryslerAG.....                            | --                    | --    | 0.2     | 1    | 1.0     | 1    |
| Ford Motor Company.....  | 0.2                   | 1.7   | --      | --   | 0.9     | 1    |
| Suppliers of Ford Motor Co.....                                | 3.0                   | 25.0  | 0.8     | 6    | 2.4     | 7    |
| General Motors Corporation.....                                | 4.0                   | 33.3  | 8.5     | 61   | 0.5     | 2    |
| Suppliers of General Motors Corporation.....                   | 1.9                   | 15.8  | 0.6     | 4    | 0.2     | --   |
| Other auto and truck manufacturers<br>and their suppliers..... | 0.3                   | 2.5   | 1.8     | 14   | 4.7     | 16   |
| Total Sales.....   | \$ 12.0               | 100%  | \$ 14.0 | 100% | \$ 34.1 | 100% |

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

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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 which drive tooling product demand.

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 build the tool to produce that part. The part and tool design then is created by the Company utilizing computer aided-design ("CAD") software. The Company then utilizes computer software which simulates the metal-forming process within the die. This simulation data then is 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

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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.

Prototype Tooling and Parts. Prototype tooling and parts are utilized during the design phase of new models for which the automobile manufacturers validate the fit and function of the respective components and assemblies and the repeatability of the respective production processes. 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

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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. The Company utilizes "simulation" software that simulates the metal-forming process within the die prior to final part and die design. This front-end simulation data is then utilized in final die design in order to reduce the need for expensive and time-consuming reworking of the die during the tryout process.

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

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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 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 excellent relationships with DaimlerChrysler, Ford, General Motors, Mercedes-Benz and BMW that directly accounted for approximately 10%, in the aggregate, of the Company's revenues in 2003. For the year ended August 31, 2003, DaimlerChrysler, Ford, General Motors, Mercedes-Benz, BMW and their respective tier one suppliers accounted for approximately 84%, in the aggregate, of the Company's revenues. For the year ended August 31, 2002, DaimlerChrysler, Ford, General Motors, Mercedes-Benz and BMW directly accounted for 67%, in the aggregate, of the Company's revenues. These direct sales, combined with their tier one suppliers, represented approximately 78% of the Company's fiscal 2002 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, purchasing agents, 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

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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 \$27 million and \$21 million as of August 31, 2003 and 2002, respectively. The Company expects all backlog contracts will be reflected in sales during fiscal years ended August 31, 2004 and 2005. 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

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on DaimlerChrysler, Ford, General Motors, Mercedes-Benz, BMW and their respective introduction of new models.

### 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 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 excellent relationships with DaimlerChrysler, Ford, General Motors, Mercedes-Benz and BMW which directly accounted for approximately 10%, in the aggregate, of the Company's revenues in 2003. For the year ended August 31, 2003, DaimlerChrysler, Ford, General Motors, Mercedes-Benz and BMW and their respective tier one suppliers accounted for approximately 84%, in the aggregate, of the Company's revenues.

### EMPLOYEES

The Company's work force consists of approximately 150 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 100 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,

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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 178,000 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 facilities are modern, well maintained, adequately insured and suitable for their present and intended uses.

### 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 2002 |        | FISCAL 2003 |        |
|------------------|-------------|--------|-------------|--------|
|                  | HIGH        | LOW    | HIGH        | LOW    |
|                  | ----        | ---    | ----        | ---    |
| 1st quarter..... | \$1.55      | \$1.00 | \$1.49      | \$1.04 |
| 2nd quarter..... | \$1.23      | \$0.78 | \$2.45      | \$1.01 |
| 3rd quarter..... | \$1.85      | \$1.00 | \$3.55      | \$1.75 |
| 4th quarter..... | \$1.82      | \$1.28 | \$5.10      | \$2.81 |

As of October 17, 2003, the Company's common stock was held by 44 registered holders of record and approximately 982 beneficial stockholders.

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



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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.

|   | YEAR ENDED AUGUST 31 |               |                   |                   |
|---|----------------------|---------------|-------------------|-------------------|
|   | 1999                 | 2000          | 2001              | 2002              |
| <b>STATEMENT OF OPERATIONS DATA:</b>                      |                      |               |                   |                   |
| Sales .....   | \$ 22,821            | \$ 25,187     | \$ 12,047         | \$ 12,047         |
| Gross Profit (Loss) .....                                 | 5,875                | 3,794         | (3,062)           | (3,062)           |
| Income (Loss) from Operations .....                       | 3,856                | 1,655         | (4,712)           | (4,712)           |
| Interest Expense .....                                    | 343                  | 890           | 725               | 725               |
| Other (Income)/Expense .....                              | (169)                | 119           | 5                 | 5                 |
| Income (Loss) before Income Taxes .....                   | 3,682                | 645           | (5,442)           | (5,442)           |
| Income Tax Expense (Benefit) .....                        | 1,252                | 242           | (1,538)           | (1,538)           |
| <b>Net Income (Loss) available for common shares ....</b> | <b>\$ 2,430</b>      | <b>\$ 404</b> | <b>\$ (3,904)</b> | <b>\$ (3,904)</b> |
| <b>Diluted Earnings (Loss) per common share .....</b>     | <b>\$ .72</b>        | <b>\$ .12</b> | <b>\$ (1.16)</b>  | <b>\$ (1.16)</b>  |
| <b>Diluted common shares outstanding .....</b>            | <b>3,379</b>         | <b>3,379</b>  | <b>3,379</b>      | <b>3,379</b>      |
| <b>OTHER DATA:</b>  |                      |               |                   |                   |
| Depreciation and amortization expense .....               | \$ 1,579             | \$ 1,940      | \$ 1,952          | \$ 1,952          |

|  | AS OF AUGUST 31, |           |          |            |
|--|------------------|-----------|----------|------------|
|  | 1999             | 2000      | 2001     | 2002       |
| <b>BALANCE SHEET DATA:</b>               |                  |           |          |            |
| Working Capital .....                    | \$ 10,981        | \$ 13,051 | \$ 5,176 | \$ (3,513) |
| Total Assets .....                       | 33,928           | 35,076    | 25,146   | 24,984     |
| Current Portion of Long-Term Debt .....  | 1,889            | 1,984     | 1,876    | 3,855      |
| Revolving Line of Credit .....           | 2,032            | 5,080     | 3,143    | 6,500      |
| Long-term Debt, less current portion ... | 7,207            | 5,223     | 3,384    | --         |
| Common Stockholders' Equity .....        | 18,312           | 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, |      |      |      |      |
|------------------------------|------|------|------|------|
| 1999                         | 2000 | 2001 | 2002 | 2003 |

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|   | ---- | ---- | ----  | ----  | ---- |
|---|------|------|-------|-------|------|
| STATEMENT OF OPERATIONS DATA:                   |      |      |       |       |      |
| Net Sales.....                                  | 100% | 100% | 100%  | 100%  | 100% |
| Gross Profit (Loss).....                        | 26   | 15   | (25)  | (4)   | 10   |
| Income (Loss) from Operations.....              | 17   | 7    | (39)  | (16)  | 5    |
| Interest Expense.....                           | 1    | 4    | 6     | 5     | 2    |
| Income (Loss) before Income Taxes.....          | 16   | 3    | (45)  | (21)  | 3    |
| Federal Income Tax Expense (Benefit).....       | 5    | 1    | (13)  | --    | --   |
|   | ---- | ---- | ----  | ----  | ---- |
| Net Income (Loss) available for common shares.. | 11%  | 2%   | (32%) | (21%) | 3%   |
|   | ==== | ==== | ====  | ====  | ==== |
| OTHER DATA:                                     |      |      |       |       |      |
| Depreciation and amortization expense.....      | 7%   | 8%   | 16%   | 14%   | 5%   |

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QUARTERLY FINANCIAL DATA

The following is a condensed summary of quarterly results of operations for 2001, 2002 and 2003 (in thousands, except per share data):

|                  |           |                            |                                | NET INCOME<br>/ (LOSS)<br>AVAILABLE<br>FOR<br>COMMON<br>SHARES | DILUTED<br>EARNINGS<br>(LOSS)<br>PER<br>SHARE | COMMON<br>SHARES<br>OUTSTANDING |
|------------------|-----------|----------------------------|--------------------------------|--|---|---------------------------------|
|                  | REVENUES  | GROSS<br>PROFIT/<br>(LOSS) | OPERATING<br>INCOME/<br>(LOSS) |  |   |                                 |
|                  | -----     | -----                      | -----                          | -----  | -----   | -----                           |
| 2001: First .... | \$ 4,592  | \$ 265                     | \$ (263)                       | \$ (332)   | \$ (.10)                                      | 3,379                           |
| Second ...       | 2,386     | (1,346)                    | (1,667)                        | (1,243)  | (.37)   | 3,379                           |
| Third ....       | 2,302     | (848)                      | (1,275)                        | (939)  | (.28)   | 3,379                           |
| Fourth ...       | 2,767     | (1,133)                    | (1,507)                        | (1,390)  | (.41)   | 3,379                           |
|                  | -----     | -----                      | -----                          | -----  | -----   | -----                           |
| Total ...        | \$ 12,047 | \$ (3,062)                 | \$ (4,712)                     | \$ (3,904)   | \$ (1.16)                                     | 3,379                           |
|                  | =====     | =====                      | =====                          | =====  | =====   | =====                           |
| 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                           |
|                  | =====     | =====                      | =====                          | =====  | =====   | =====                           |

ITEM 7.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

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## 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

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, door 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

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percentage of completion estimates and the assessment of asset impairments. The Company uses the following methods and assumptions in its estimates.

- 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 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.
- 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.

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### 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 mandatorily 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 is not expected to have a material effect on the Company's results of operations, liquidity, or financial condition.

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 August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The Statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets to be Disposed of." SFAS No. 144 retains the fundamental provisions of SFAS No. 121 for (a) recognition and measurement of the impairment of long-lived assets to be held and used and (b) measurement of long-lived assets to be disposed by sale. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The Company has determined that its current accounting policy is consistent with SFAS No. 144.

In July 2001, the FASB issued SFAS No. 141, "Business Combinations." SFAS No. 141 requires the purchase method of accounting for all business combinations initiated after June 30, 2001. The FASB also issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 requires, among other things, the discontinuance of the amortization of goodwill and certain other identified intangibles. In addition, the statement includes provisions for the reassessment of the value and useful lives of existing recognized intangibles (including goodwill),

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reclassification of certain intangibles both in and out of the previously reported goodwill and the identification of reporting units for the purposes of assessing potential future impairments of goodwill and other intangibles. The Company adopted these standards effective September 1, 2002 and the adoption did not have a significant impact on the financial statements.

### RESULTS OF OPERATIONS

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

### 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 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.

The Company's backlog of awarded contracts, which are all believed to be firm, was approximately \$27 million and \$24 million as of August 31, 2003 and 2002, respectively, an increase of 12.5%. The Company expects all backlog contracts will be reflected in sales during fiscal years ending August 31, 2004 and 2005. Despite the backlog, the Company continues to see a general "softness" in the overall domestic automotive tooling industry. The Company believes that such should improve in 2004 if the domestic automakers commit to increasing future new model restyling and support manufacturing such tooling systems utilizing domestic suppliers.

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 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.

#### FISCAL 2002 COMPARED TO FISCAL 2001

Revenue. Total revenue increased from approximately \$12 million in 2001 to \$14 million in 2002, an increase of 17%. This increase was a result of the market for foreign auto manufacturers tooling contract opportunities opening up to US-based tooling manufacturers. The Company received contracts, directly and indirectly, from Nissan and BMW during the twelve month period.

As of August 31, 2002, the Company's backlog was approximately \$24 million as compared to \$7 million at August 31, 2001. During the last quarters of 2002, the Company received a major contract (approximately \$17 million) that should positively affect the Company's financial performance during the second quarter of fiscal 2003. The Company's results in 2002 continued to reflect the very competitive contract pricing market, which was mitigated by continuing the Company's strategy of bidding on contracts that would maintain contribution margin on contracts awarded to the Company. This combined with a continuation of the Company's cost containment initiatives enabled the Company to reduce negative margins by \$2.3 million.

Cost of Goods Sold. Cost of goods sold decreased from \$15.1 million for 2001 to \$14.7 million for 2002, as a percent of sales, cost of goods sold decreased from 125.4% for 2001 to 104.5% for 2002. This was mainly due to a decrease of \$708,000 in direct costs, as well as a \$114,000 decrease in manufacturing overhead expense. These decreases were offset by an increase of \$394,000 in engineering expense.

Of the cost of goods sold, direct costs were \$6.8 million, 48.5% of sales, in 2002 as compared to \$7.5 million, 62.4% of sales, in 2001. Direct materials expense decreased from \$2.7 million in 2001 to \$2.4 million in 2002 and as a percent of sales from 22.2% to 16.8%. This decrease was largely due to lower contract material requirements during 2002.

Direct labor expense decreased from \$3.9 million in 2001 to \$3.6 million in 2002 and as a percent of sales, from 32.4% to 26.3%. This decrease was a result of

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the Company incurring a 7% decrease in direct labor hours, from 204,000 hours in 2001 to 189,000 in 2002. Of the total direct labor expense, overtime expense decreased from \$1.0 million in 2001 to \$697,000 in 2002, a decrease of 33.3%. This decrease was a result of the Company having lower labor requirements during 2002.

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Engineering expense increased from \$1.2 million, 9.7% of sales, for 2001 to \$1.6 million, 11.1% of sales, for 2002. This 33.3% increase was due to the Company's increased contract backlog during the latter part of 2002. This backlog resulted in the Company increasing the number of engineering personnel necessary to fulfill the engineering portion of the increased backlog.

Manufacturing overhead was \$6.3 million or 44.9% of sales in 2002 as compared to \$6.4 million or 53.3% of sales in 2001. During 2002, decreases in manufacturing overhead included: \$65,000 in indirect labor, \$59,000 in payroll taxes, \$48,000 in workers compensation insurance, \$30,000 in building maintenance and \$22,000 in depreciation expense. These 2002 decreases were offset by increases including: \$62,000 in manufacturing supplies, \$47,000 in perishable tooling, \$24,000 in general insurance and \$23,000 in supervision salaries.

During fiscal 2001, the Company recorded a \$765,000 loss on certain contracts with one of its customers. This loss was a result of a dispute between the Company and its customer over the manufacture of stamping die systems for an auto frame assembly. This dispute resulted in the Company being a Defendant in a lawsuit with the customer ("Plaintiff") asking for recovery of \$850,000 in damages. The Company and its customer settled this matter on April 17, 2002 resulting in no additional expense to the Company.

Selling and Administrative Expense. Selling and administrative expense for 2002 remained consistent with 2001 at \$1.6 million. As a percent of sales, selling and administrative expense decreased from 13.7% in 2001 to 11.8% in 2002. The largest selling and administrative expense increases in 2002 included: \$45,000 in supervision and office salaries, \$37,000 in computer maintenance, \$34,000 legal & professional expense and \$24,000 in employee training. These increases were offset by decreases of \$45,000 in insurance expense, \$43,000 in deferred compensation/401(K) expense, \$30,000 in miscellaneous expenses, \$12,000 in advertising expense and \$20,000 in director fees.

Interest Expense. Interest expense decreased from \$725,000 in 2001 to \$653,000 in 2002 and, as a percent of sales, from 6.0% to 4.6%. This decrease was due to lower average debt levels and a decrease in interest rates during 2002.

### FEDERAL INCOME TAX

The Company's effective income tax rates were a credit of 28%, 0% and 0% for the years ended August 31, 2001, 2002 and 2003, respectively. The Company had approximately \$155,000 of alternative minimum tax credits as of August 31, 2003, the use of which does not expire, and federal net operating loss carryforwards of \$3,691,900 which expire, if unused, in fiscal 2021 and 2022. The Company has a valuation allowance of \$1,301,000 and \$1,003,000 at August 31, 2002 and 2003, respectively, for net deferred tax assets which may not ultimately be realized.

### LIQUIDITY AND CAPITAL RESOURCES

The Company's need for working capital increased during 2003 as a result of the increase in awarded contracts and the related revenue increase. The Company financed these needs through internally generated funds, bank financing and customer progress payments. During fiscal 2003, the Company used \$586,000 of operational cash flow. This was largely generated as a result of an increase of

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\$10.1 million in current assets funded largely by an increase of \$9.2 million in trade accounts payable, accrued outsourced contracts payable and accrued liabilities. The Company utilized \$414,000 in the acquisitions of assets. During 2003, the Company reduced its long-term debt by \$1.3 million.

The Company anticipates less than \$650,000 in capital expenditures for fiscal 2004. The Company believes its \$27 million backlog and projected cash flow from operations together with its increased Revolving Line of Credit financing will be sufficient to finance the Company's operations in 2004.

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The Company's total bank debt as of August 31, 2003, is \$9,039,089, of which \$638,756 is short-term. As of August 31, 2003, the Company has a \$7.5 million Revolving Line of Credit with a balance outstanding of \$5,982,360, and term notes with an aggregate outstanding balance of \$3,056,729. The Revolving Line of Credit bears interest at the bank's prime rate plus 1.0 percent (an effective rate of 5.0% at August 31, 2003). The term notes include one note with a balance of \$1,766,667 that bears interest at bank's prime rate plus 1.25 percent (an effective rate of 5.25% at August 31, 2003) and another note with a balance of \$1,290,061 at a fixed rate of 11%. On November 24, 2003, the Company amended its loan agreement with its primary lender. Under such agreement the existing financing was extended to December 1, 2004 and the Revolving Line of Credit was increased from \$7.5 million to \$10 million.

The Company believes that the unused portion of its new credit line and the funds generated from operations, will be sufficient to cover anticipated cash needs through fiscal 2004. However, depending on the level of future sales, terms of such sales and cash flow of existing contracts, an expanded credit line may be necessary to finance increases in trade accounts receivable and contracts in process. The Company believes it will be able to obtain such expanded credit line, if required, on generally the same terms as the existing credit line. However the Company may be required to seek additional sources of funding, if necessary.

### 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

### INDEPENDENT AUDITORS' REPORT

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



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We have audited the accompanying balance sheets of Riviera Tool Company as of August 31, 2003 and 2002, and the related statements of operations, stockholders' equity and cash flows for each of the three years in the period ended August 31, 2003. 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 auditing standards generally accepted in the United States of America. 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, 2003 and 2002, and the results of its operations and its cash flows for each of the three years in the period ended August 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Grand Rapids, Michigan  
November 26, 2003

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Riviera Tool Company  
Balance Sheets

|  | Note | -----<br>2002<br>----- |
|--|------|------------------------|
| ASSETS   |      |                        |
| Current Assets   |      |                        |
| Cash.....  |      | \$ 2,337,7             |
| Accounts receivable.....                                 |      | 2,899,0                |
| Costs in excess of billings on contracts in process..... | 3    | 3,988,3                |
| Inventories.....   | 4    | 250,5                  |
| Prepaid expenses and other current assets.....           |      | 184,3                  |
|  |      | -----                  |
| Total current assets.....                                |      | 9,660,0                |
|  |      | -----                  |
| Property, plant and equipment, net.....                  | 5    | 14,471,8               |
| Perishable tooling.....                                  |      | 548,6                  |
| Other assets.....  |      | 303,0                  |
|  |      | -----                  |
| Total assets.....  |      | \$ 24,983,5<br>=====   |

LIABILITIES AND STOCKHOLDERS' EQUITY

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|   |   |             |
|---|---|-------------|
| Current Liabilities   |   |             |
| Current portion of long-term debt.....                                | 6 | \$ 10,354,4 |
| Accounts payable.....   |   | 1,694,7     |
| Accrued outsourced contracts payable.....                             |   |             |
| Accrued liabilities.....  |   | 448,1       |
|   |   | -----       |
| Total current liabilities.....  |   | 12,497,4    |
|   |   |             |
| Long-term debt, net of current portion.....                           | 6 |             |
| Accrued lease expense.....  | 8 | 675,7       |
|   |   | -----       |
| Total liabilities.....  |   | 13,173,1    |
|   |   |             |
| Preferred stock -- no par value,<br>\$100 mandatory redemption value: |   |             |
|   |   |             |
| Authorized-5,000 shares, Issued and outstanding- no shares.....       |   |             |
| Preferred stock -- no par value,<br>Authorized -- 200,000 shares      |   |             |
| Issued and outstanding -- no shares.....                              |   |             |
| Common stockholders' equity   |   |             |
| Common stock -- no par value,<br>Authorized -- 9,798,575 shares       |   |             |
| Issued and outstanding -- 3,379,609 shares.....                       |   | 15,115,4    |
| Retained deficit.....   |   | (3,305,0    |
|   |   | -----       |
| Total common stockholders' equity.....                                |   | 11,810,4    |
|   |   | -----       |
| Total liabilities and stockholders' equity.....                       |   | \$ 24,983,5 |
|   |   | =====       |

See Notes to Financial Statements

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Riviera Tool Company  
Statements of Operations

|   | Year Ended August 31 |               |           |
|---|----------------------|---------------|-----------|
|   | 2001                 | 2002          | 200       |
|   | -----                | -----         | -----     |
| Sales .....                                     | \$ 12,047,039        | \$ 14,050,133 | \$ 34,084 |
| Cost of sales .....                             | 15,109,065           | 14,680,398    | 30,707    |
|   | -----                | -----         | -----     |
| Gross profit (loss) .....                       | (3,062,026)          | (630,265)     | 3,376     |
| Selling and administrative expenses .....       | 1,649,558            | 1,658,849     | 1,689     |
|   | -----                | -----         | -----     |
| Income (loss) from operations .....             | (4,711,584)          | (2,289,114)   | 1,687     |
| Other income (expense):                         |                      |               |           |
| Interest expense .....                          | (725,267)            | (652,905)     | (779      |
| Other .....                                     | (4,806)              | 726           | (8        |
| Loss on asset disposals .....                   | --                   | (60,264)      |           |
|   | -----                | -----         | -----     |
| Total other expense, net .....                  | (730,073)            | (712,443)     | (787      |
|   | -----                | -----         | -----     |
| Income (loss)-- before income tax benefit ..... | (5,441,657)          | (3,001,557)   | 900       |

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|   |                |                |            |
|---|----------------|----------------|------------|
| Income tax benefit .....                                    | (1,538,000)    | --             |            |
| Net income (loss) available<br>for common shares .....      | \$ (3,903,657) | \$ (3,001,557) | \$ 900,050 |
| Basic and Diluted earnings (loss)<br>per common share ..... | \$ (1.16)      | \$ (0.89)      | \$         |
| Basic and Diluted common shares outstanding.....            | 3,379,609      | 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<br>Earnings<br>(Deficit) | Total<br>Stockholders'<br>Equity |
|----------------------------|--------------|---------------|-----------------------------------|----------------------------------|
|                            | Shares       | Amount        |                                   |                                  |
| Balance--September 1, 2000 | 3,379,609    | \$ 15,115,466 | \$ 3,600,155                      | \$ 18,715,621                    |
| Net loss.....              | --           | --            | (3,903,657)                       | (3,903,657)                      |
| Balance--August 31, 2001   | 3,379,609    | \$ 15,115,466 | \$ (303,502)                      | \$ 14,811,964                    |
| Net loss.....              | --           | --            | (3,001,557)                       | (3,001,557)                      |
| Balance--August 31, 2002   | 3,379,609    | \$ 15,115,466 | \$ (3,305,059)                    | \$ 11,810,407                    |
| Net income                 | --           | --            | 900,050                           | 900,050                          |
| Balance--August 31, 2003   | 3,379,609    | \$ 15,115,466 | \$ (2,405,009)                    | \$ 12,710,457                    |

See Notes to Financial Statements

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Riviera Tool Company  
Statements of Cash Flows

|  | Year Ended August 31 |                |
|--|----------------------|----------------|
|  | 2001                 | 2002           |
| Cash Flows from Operating Activities   |                      |                |
| Net income (loss) .....  | \$ (3,903,657)       | \$ (3,001,557) |
| Adjustments to reconcile net income (loss) to net cash<br>from operating activities: |                      |                |

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|  |             |              |       |
|--|-------------|--------------|-------|
| Depreciation and amortization .....                      | 1,952,320   | 1,912,733    |       |
| Loss on disposal of machinery and equipment .....        | --          | 60,264       |       |
| Deferred taxes .....                                     | (1,538,000) | --           |       |
| Decrease (increase) in assets:                           |             |              |       |
| Accounts receivable .....                                | 3,602,739   | 550,355      |       |
| Costs in excess of billings                              |             |              |       |
| on contracts in process .....                            | 4,411,082   | 165,223      |       |
| Inventories .....  | (2,302)     | 58,408       |       |
| Perishable tooling .....                                 | (34,079)    | 24,216       |       |
| Federal income tax refundable .....                      | 673,897     | --           |       |
| Prepaid expenses and other current assets .....          | 72,881      | (87,024)     |       |
| Increase (decrease) in liabilities:                      |             |              |       |
| Accounts payable .....                                   | (512,622)   | 796,567      |       |
| Accrued outsourced contracts payable .....               | --          | --           |       |
| Accrued lease expense .....                              | 2,336       | (16,359)     |       |
| Accrued liabilities .....                                | (92,682)    | 106,164      |       |
|  | -----       | -----        |       |
| Cash flows from (used in) operating                      |             |              |       |
| Activities .....   | 4,631,913   | 568,990      |       |
|  | -----       | -----        |       |
| Cash Flows from Investing Activities                     |             |              |       |
| (Increase) decrease in other assets .....                | 75,000      | (167,290)    |       |
| Purchases of property, plant and equipment .....         | (653,090)   | (298,817)    |       |
|  | -----       | -----        |       |
| Net cash used in investing activities .....              | (578,090)   | (466,107)    |       |
|  | -----       | -----        |       |
| Cash Flows from Financing Activities                     |             |              |       |
| Net borrowings (repayments) on revolving credit line ... | (1,937,229) | 3,357,210    |       |
| Proceeds from issuance of long-term debt .....           | --          | 470,560      |       |
| Principal payments on long-term debt .....               | (1,947,572) | (1,875,631)  |       |
|  | -----       | -----        |       |
| Cash flows from (used in) financing activities .....     | (3,834,801) | 1,952,139    |       |
|  | -----       | -----        |       |
| Net increase (decrease) in cash .....                    | 169,022     | 2,055,022    |       |
|  | -----       | -----        |       |
| Cash -- beginning of year .....                          | 113,699     | 282,721      |       |
| Cash -- end of year .....                                | \$ 282,721  | \$ 2,337,743 | \$    |
|  | =====       | =====        | ===== |
| Interest paid .....                                      | \$ 764,215  | \$ 581,915   | \$    |
| Income taxes refunded .....                              | 731,957     | 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.

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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 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, 2002 and 2003, the Company had no reserve for uncollectible accounts receivable and had \$23,659 and \$361,144 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

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| ASSET<br>-----                         | USEFUL LIVES<br>----- |
|--|-----------------------|
| - 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 \$21,572, \$6,703 and \$0 in 2001, 2002 and 2003, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS.

The Company reviews and evaluates long-lived assets for impairment when events and circumstances indicate that the carrying amount of an asset may not be recoverable. When the undiscounted future cash flows are not sufficient to recover an asset's carrying amount, a discounted cash flow model is utilized to determine the impairment loss to be recorded. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value, less cost to sell.

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

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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, 2001, 2002 and 2003.

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### Riviera Tool Company 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.

In May 2003, the Financial Accounting Standards Board ("FASB") issued 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 mandatorily 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 is not expected to have a material effect on the Company's results of operations, liquidity, or financial condition.

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 August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The Statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets to be Disposed of." SFAS No. 144 retains the fundamental provisions of SFAS No. 121 for (a) recognition and measurement of the impairment of long-lived assets to be held and used and (b) measurement of long-lived assets to be disposed by sale. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The Company has determined that its current accounting policy is consistent with SFAS No. 144.

In July 2001, the FASB issued SFAS No. 141, "Business Combinations." SFAS No. 141 requires the purchase method of accounting for all business combinations initiated after June 30, 2001. The FASB also issued SFAS No. 142, "Goodwill and

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Other Intangible Assets." SFAS No. 142 requires, among other things, the discontinuance of the amortization of goodwill and certain other identified intangibles. In addition, the statement includes provisions for the reassessment of the value and useful lives of existing recognized intangibles (including goodwill), reclassification of certain intangibles both in and out of the previously reported goodwill and the identification of reporting units for the purposes of assessing potential future impairments of goodwill and other intangibles. The Company adopted these standards effective September 1, 2002 and the adoption did not have a significant impact on the financial statements.

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Riviera Tool Company  
Notes to Financial Statements

NOTE 2 -- 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 |      |           |      |           |      |
|----------------------------|-----------|------|-----------|------|-----------|------|
|                            | 2001      | %    | 2002      | %    | 2003      | %    |
| Oxford Automotive.....     | \$ --     | --   | \$ 1,235  | 9    | \$ 19,152 | 5    |
| DaimlerChrysler AG.....    | 2,588     | 21   | 905       | 6    | 1,925     |      |
| General Motors.....        | 3,975     | 33   | 8,486     | 60   | 450       |      |
| Autodie International..... | 1,871     | 16   | --        | --   | --        |      |
| Dana Corporation.....      | 1,563     | 13   | --        | --   | --        |      |
| Budd Company.....          | 1,135     | 9    | 109       | 1    | 165       |      |
| L & W Engineering.....     | --        | --   | 183       | 1    | --        |      |
| Others.....                | 915       | 8    | 3,132     | 23   | 12,392    | 3    |
| Total Sales.....           | \$ 12,047 | 100% | \$ 14,050 | 100% | \$ 34,084 | 100% |

Outstanding account receivables from three of these customers represented approximately 80 percent and 78 percent at August 31, 2002 and 2003 of the total accounts receivable, respectively.

NOTE 3 -- COSTS AND BILLINGS ON CONTRACTS IN PROCESS

Costs and billings on contracts in process are as follows:

|   | AUGUST 31, 2002 |
|---|-----------------|
| Costs incurred on contracts in process under the percentage-of-completion method..... | \$ 11,248,868   |
| Estimated gross (loss)/profit.....  | (670,000)       |



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|   |              |
|---|--------------|
| Total.....  | 10,578,868   |
| Less progress payments received and progress billings to date.....                      | 6,682,206    |
| Plus costs incurred on contracts in process under<br>the completed contract method..... | 91,682       |
| Costs in excess of billings on contracts in process.....                                | \$ 3,988,346 |

Included in estimated gross loss for 2002 and 2003 are contracts with estimated losses accrued of \$973,985 and \$532,665, respectively.

NOTE 4-- INVENTORIES

Inventories consist of the following:

|                               | AUGUST 31  |            |
|-------------------------------|------------|------------|
|                               | 2002       | 2003       |
| Raw material stock.....       | \$ 146,303 | \$ 146,303 |
| Small tools and supplies..... | 104,266    | 104,266    |
| Total.....                    | \$ 250,569 | \$ 250,569 |

Riviera Tool Company  
Notes to Financial Statements

NOTE 5 -- PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

|  | AUGUST 31     |               |
|--|---------------|---------------|
|  | 2002          | 2003          |
| Leasehold improvements.....                    | \$ 1,367,908  | \$ 1,367,908  |
| Office furniture and fixtures.....             | 157,868       | 157,868       |
| Machinery and equipment.....                   | 22,353,184    | 22,353,184    |
| Computer equipment and software.....           | 2,119,363     | 2,119,363     |
| Transportation equipment.....                  | 61,919        | 61,919        |
| Construction in process.....                   | 1,399         | 1,399         |
| Total cost.....                                | 26,061,641    | 26,061,641    |
| Accumulated depreciation and amortization..... | 11,589,762    | 11,589,762    |
| Property, plant and equipment, net.....        | \$ 14,471,879 | \$ 14,471,879 |
| Depreciation & amortization expense.....       | \$ 1,912,733  | \$ 1,912,733  |

NOTE 6 -- LONG-TERM DEBT

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

|  |                 |
|--|-----------------|
|  | -----           |
|  | 2002            |
| REVOLVING WORKING CAPITAL CREDIT LINE  |                 |
| <p>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 1, 2004, and bears interest, payable monthly, at 1.0% above the bank's prime rate (as of August 31, 2003, an effective rate of 5.0%).....</p> |                 |
|  | \$              |
| Credit line paid & terminated on December 23, 2002.....  | 6,500           |
| NOTES PAYABLE TO BANKS   |                 |
| <p>Note payable to bank, payable in monthly installments of \$33,334, plus interest at the bank's prime rate plus 1.25% (as of August 31, 2003, an effective rate of 5.25%), due December 1, 2004.....</p>   |                 |
| <p>Subordinated note payable to bank, payable in monthly installments of \$31,000, including interest at 11%, due January 1, 2008.....</p>   |                 |
| Note payable to bank, paid on December 23, 2002.....   | 1,611           |
| Note payable to bank, paid on December 23, 2002.....   | 416             |
| NON-REVOLVING EQUIPMENT LINE OF CREDIT   |                 |
| Equipment line of credit, paid on December 23, 2002.....   | 1,826           |
| Total debt.....  | -----<br>10,354 |
| Less current portion of long-term debt.....  | -----<br>10,354 |
| Long-term debt -- Net.....   | -----<br>\$     |
|  | =====           |

NOTE 6 -- LONG-TERM DEBT- CONTINUED

Minimum scheduled principal payments on long-term debt to maturity as of August 31, 2003, are as follows:

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|            |    |           |
|------------|----|-----------|
| 2004.....  | \$ | 638,756   |
| 2005.....  |    | 7,616,332 |
| 2006.....  |    | 298,949   |
| 2007.....  |    | 334,339   |
| 2008.....  |    | 150,713   |
|            |    | -----     |
| Total..... | \$ | 9,039,089 |
|            |    | =====     |

On November 24, 2003, the Company amended its loan agreement with its primary lender. Under such agreement the existing financing was extended to December 1, 2004 and the Revolving Line of Credit was increased from \$7.5 million to \$10.0 million.

Under the new loan agreement, the Company is required to maintain certain levels of Tangible Effective Net Worth, Debt to Tangible Net Worth and Debt Service Coverage. At August 31, 2003, the Company was in compliance with these new covenants.

Under the loan agreement and new loan agreement the Company provided its senior lender with certain individuals who provided personal guarantees as additional collateral. The Company incurred \$205,000 for debt issuance and guarantees on November 24, 2003 associated with the new loan agreement. These costs will be amortized over the term of the financing. The Company also incurred approximately \$306,500 in debt issuance and guarantee fee costs in 2003. During fiscal 2003, the Company amortized approximately \$230,000 of such costs. The estimated fair value of the Company's notes payable and long-term debt approximates its carrying amount. The weighted average interest rates for fiscal 2001, 2002 and 2003 were 7.4%, 6.7% and 6.5%, respectively.

NOTE 7 -- FEDERAL INCOME TAXES

The provision for federal income taxes is as follows:

|                                   | AUGUST 31      |       |       |
|-----------------------------------|----------------|-------|-------|
|                                   | 2001           | 2002  | 2003  |
|                                   | -----          | ----- | ----- |
| Current expense.....              | \$ --          | \$ -- | \$ -- |
| Deferred expense (benefit).....   | (1,538,000)    | --    | --    |
|                                   | -----          | ----- | ----- |
| Income tax expense (benefit)..... | \$ (1,538,000) | \$ -- | \$ -- |
|                                   | =====          | ===== | ===== |

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

|                                 | AUGUST 31 |         |       |
|---------------------------------|-----------|---------|-------|
|                                 | 2001      | 2002    | 2003  |
|                                 | -----     | -----   | ----- |
| Federal statutory tax rate..... | (34.0%)   | (34.0%) | 34.0% |

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|                                    |         |       |         |
|------------------------------------|---------|-------|---------|
| Effect of valuation allowance..... | 5.8%    | 34.0% | (36.0%) |
| Other items.....                   | --      | --    | 2.0%    |
|                                    | -----   | ----- | -----   |
| Effective tax rate.....            | (28.2%) | --    | --      |
|                                    | =====   | ===== | =====   |

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

|   | AUGUST 31      |                |
|---|----------------|----------------|
|   | 2002           | 2001           |
|   | -----          | -----          |
| Deferred tax liabilities:                                   |                |                |
| Depreciation.....   | \$ (3,128,313) | \$ (3,148,900) |
|   | -----          | -----          |
| Deferred tax assets:  |                |                |
| Alternative minimum tax credit carryforward.....            | 155,150        | 164,000        |
| Accrued lease expense.....                                  | 229,750        | 217,800        |
| Deferred compensation and other items.....                  | 57,555         | 78,200         |
| Net operating loss carryforward.....                        | 3,986,858      | 3,691,900      |
|   | -----          | -----          |
| Total deferred tax assets.....                              | 4,429,313      | 4,153,900      |
|   | -----          | -----          |
| Valuation allowance recognized for deferred tax assets..... | (1,301,000)    | (1,003,000)    |
|   | -----          | -----          |
| Net deferred tax liability.....                             | \$ --          | \$ --          |
|   | =====          | =====          |

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

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Riviera Tool Company  
Notes to Financial Statements

NOTE 8 -- 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

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has been recorded as accrued lease expense (a liability). For the year ended August 31, 2001, the lease expense exceeded cash payments made by \$2,335. For the years ended August 31, 2002 and 2003 the cash payments made exceeded the lease expense by \$16,359 and \$35,045.

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, 2001, 2002 and 2003 amounted to \$1,053,118, \$1,075,186 and \$1,120,250, 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, 2003.

|                                      | LEASE<br>PAYMENTS |
|--------------------------------------|-------------------|
|                                      | -----             |
| 2004.....                            | \$ 1,009,605      |
| 2005.....                            | 981,298           |
| 2006.....                            | 988,411           |
| 2007.....                            | 1,013,135         |
| 2008.....                            | 1,039,332         |
| 2009 and after.....                  | 12,151,444        |
|                                      | -----             |
| Total minimum payments required..... | \$ 17,183,225     |
|                                      | =====             |

NOTE 9 -- 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, 2001, 2002, and 2003. 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, 2001, 2002 and 2003, amounted to \$74,759, \$31,324 and \$0, respectively.

NOTE 10 -- 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.

NOTE 10 -- STOCK OPTION PLANS - CONTINUED

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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 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<br>Average<br>Exercise<br>Price |
|---|---------|--|
|   | -----   | -----                                    |
| 1996 STOCK OPTION PLAN, AS AMENDED          |         |  |
| Outstanding at end of year, August 31, 1999 | 45,000  |  |
|   | =====   |  |
| Fiscal Year Ended August 31, 2000           |         |  |
| Stock options granted.....                  | 75,000  |  |
|   | -----   |  |
| Outstanding at end of year, August 31, 2000 | 120,000 |  |
|   | =====   |  |
| Fiscal Year Ended August 31, 2001           |         |  |
| Stock options granted.....                  | --      |  |
|   | -----   |  |
| Outstanding at end of year, August 31, 2001 | 120,000 |  |
|   | =====   |  |
| Fiscal Year Ended August 31, 2002           |         |  |
| Stock options granted.....                  | --      |  |
|   | -----   |  |
| Outstanding at end of year, August 31, 2002 | 120,000 |  |
|   | =====   |  |
| Stock options granted.....                  | --      |  |
|   | -----   |  |
| Outstanding at end of year, August 31, 2003 | 120,000 |  |
|   | =====   |  |
| 1998 KEY EMPLOYEE STOCK OPTION PLAN         |         |  |
| Outstanding at end of year, August 31, 1999 | 54,000  |  |
|   | -----   |  |
| Fiscal Year Ended August 31, 2000           |         |  |
| Stock options granted.....                  | 53,000  |  |
|   | -----   |  |
| Outstanding at end of year, August 31, 2000 | 107,000 |  |
|   | -----   |  |
| Fiscal Year Ended August 31, 2001           |         |  |
| Stock options granted.....                  | --      |  |

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|   |         |
|---|---------|
| Stock options forfeited.....                | (5,000) |
| Stock options forfeited.....                | (5,000) |
|   | -----   |
| Outstanding at end of year, August 31, 2001 | 97,000  |
|   | -----   |
| Fiscal Year Ended August 31, 2002           |         |
| Stock options granted.....                  | --      |
|   | -----   |
| Outstanding at end of year, August 31, 2002 | 97,000  |
|   | -----   |
| Fiscal Year Ended August 31, 2003           |         |
| Stock options granted.....                  | --      |
| Stock options forfeited.....                | (2,000) |
| Stock options forfeited.....                | (2,000) |
|   | -----   |
| Outstanding at end of year, August 31, 2003 | 93,000  |
|   | -----   |

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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.

PART III

ITEM 10. EXECUTIVE OFFICERS AND DIRECTORS OF THE REGISTRANT

Information with respect to Directors, Executive Officers, Beneficial Owners and the Company's Code of Ethics may be found under the captions "Directors and Executive Officers" and "Section 16(A) Beneficial Ownership Reporting Compliance" in the Company's Proxy Statement for the Annual Meeting of

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Stockholders to be held December 17, 2003 (the "Proxy Statement") and such information is incorporated herein by reference.

The Company, on November 3, 2003, adopted a Code of Ethics that applies to all directors, officers and employees, including its Principal Executive Officer, and its principal financial officer and controller or principal accounting officer, or persons performing similar functions. A copy of the Company's Code of Ethics is filed with this report.

### ITEM 11. EXECUTIVE COMPENSATION

Information with respect to Directors and Executive Officers Compensation may be found under the captions "Compensation of Directors and Executive Officers" in the Company's Proxy Statement and such information is incorporated herein by reference.

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

Information with respect to Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters may be found under the captions "Executive Compensation," and "Director Compensation" in the Company's Proxy Statement and such information is incorporated herein by reference.

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### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information with respect to Certain Relationships and Related Transactions is contained under the captions "Executive Compensation," "Ownership of Company Stock," and "Compensation Committee Interlocks and Insider Participation" in the Company's Proxy Statement and such information is incorporated herein by reference.

### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information with respect to Principal Accounting Fees and Services is contained under the caption "Principal Accounting Fees and Services" in the Company's Proxy Statement and such information is incorporated herein by reference.

### 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 Consolidated Financial Statements of Riviera Tool Company in Item 8 hereof are filed as part of this Annual Report on Form 10-K.
2. Exhibits
  - 10(ee) Company Code of Ethics adopted November 3, 2003
  - 10(ff) First Amendment to Line of Credit and Term Note Agreement between Registrant and Comerica Bank, dated November 24, 2003.
  - 21 Subsidiaries - None
  - 31.1 Written Statement of the Chief Executive Officer Pursuant



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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

32.1 Written Statement of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 Sec. 906

32.2 Written Statement of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 Sec. 906

(b) Reports on Form 8-K- No Reports were filed on Form 8-K in the last quarter of the Fiscal Year ended August 31, 2003.

None.

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 1, 2003

RIVIERA TOOL COMPANY

By: /s/ Kenneth K. Rieth

-----  
Kenneth K. Rieth, Principal  
Executive Officer

and

By: /s/ Peter C. Canepa

-----  
Peter C. Canepa, Principal Financial  
and Accounting Officer

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the 1st day of December, 2003, 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/ Leonard H. Wood  
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Leonard H. Wood, Director

/s/ Kenneth K. Rieth  
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Kenneth K. Rieth, Director

/s/ Thomas H. Highley  
-----  
Thomas H. Highley, Director

/s/ Jay S. Baron  
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Jay S. Baron, Director

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| EXHIBIT NO. | DESCRIPTION  |
|-------------|--|
| 10(ee)      | Company Code of Ethics adopted November 3, 2003  |
| 10(ff)      | First Amendment to Line of Credit and Term Note Agreement between Registrant and Comerica Bank, dated November 24, 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                             |
| 32.1        | Written Statement of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 Sec. 906                             |
| 32.2        | Written Statement of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 Sec. 906                             |