RIVIERA TOOL CO
Form 10-Q
July 15, 2004

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

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 2004

OR

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

For the transition period from _______________ to___________________

Commission file no. 001-12673

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

Michigan	38-2828870
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5460 Executive Parkway S.E., Grand Rapids, Michigan 49512
\---
(Address of principal executive offices) (Zip Code)

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

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

Yes [X] No [ ]

There were 3,774,346 shares of the Registrant's common stock outstanding as of July 15, 2004.

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RIVIERA TOOL COMPANY
FINANCIAL STATEMENTS

BALANCE SHEETS

	NOTE	MAY 31 2004 (UNAUDIT
ASSETS		
CURRENT ASSETS		
Cash...		$
Accounts receivable..		12,0
Costs in excess of billings on contracts in process....................	2	8,3
Inventories..		2
Prepaid expenses and other current assets..............................		4
Total current assets..		21,1

PROPERTY, PLANT AND EQUIPMENT, NET	3	12,6
PERISHABLE TOOLING		6
OTHER ASSETS		3
Total assets		$ 34,7

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Current portion of long-term debt	4	$ 6
Accounts payable		5,3
Accrued outsourced contracts payable		2,9
Accrued liabilities		8
Total current liabilities		9,8
LONG-TERM DEBT	4	9,5
CAPITAL LEASE		
ACCRUED LEASE EXPENSE		7
Total liabilities		20,0
PREFERRED STOCK - no par value, $100 mandatory redemption value:		
Authorized - 5,000 shares		
Issued and outstanding - no shares		
STOCKHOLDERS' EQUITY:		
Preferred stock - no par value,		
Authorized - 200,000 shares		
Issued and outstanding - no shares		
Common stock - No par value:		
Authorized - 9,785,575 shares		
Issued and outstanding - 3,774,346 at May 31, 2004 and 3,379,609 shares at August 31, 2003		16,4
Retained deficit		(1,7
Total stockholders' equity		14,7
Total liabilities and stockholders' equity		$ 34,7

See notes to financial statements

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RIVIERA TOOL COMPANY
STATEMENTS OF OPERATIONS
(UNAUDITED)

	FOR THE THREE MONTHS ENDED		
	MAY 31, 2004	MAY 31, 2003	MA
SALES	$ 7,596,931	$ 9,919,178	$
COST OF SALES	6,729,645	8,826,409	

GROSS PROFIT	867,286	1,092,769	
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	479,920	505,935	
INCOME FROM OPERATIONS	387,366	586,834	
TOTAL INTEREST AND OTHER EXPENSE	148,782	195,735	
INCOME BEFORE INCOME TAXES	238,584	391,099	
INCOME TAXES	--	--	
NET INCOME AVAILABLE FOR COMMON SHARES	$ 238,584	$ 391,099	$
BASIC AND DILUTED INCOME PER COMMON SHARE	$ 06	$ .12	$
BASIC AND DILUTED COMMON SHARES OUTSTANDING	3,774,346	3,379,609	

See notes to financial statements

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RIVIERA TOOL COMPANY
STATEMENT OF CASH FLOWS
(UNAUDITED)

	FOR THE THREE MONTHS ENDED		
	MAY 31, 2004	MAY 31, 2003	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 238,584	$ 391,099	$
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	421,599	460,482	
(Increase) decrease in assets:			
Accounts receivable	(7,171,218)	4,825,325	
Costs in excess of billings on contracts in process	3,124,750	(5,440,988)	
Perishable tooling	(35,697)	(34,650)	
Prepaid expenses and other current assets	49,741	20,061	
Increase (decrease) in liabilities:			

Accounts payable................................	853,652	196,871	
Accrued outsourced contracts payable............	(3,557,595)	1,925,174	
Accrued lease expense...........................	25,050	(8,761)	
Accrued liabilities.............................	54,602	397,135	
Net cash provided by/(used in) operating activities.......	$ (5,996,532)	$ 2,731,748	$
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in other assets...............................	--	--	
Additions to property, plant and equipment.............	(529,610)	(121,706)	
Net cash used in investing activities....................	$ (529,610)	$ (121,706)	$
CASH FLOWS FROM FINANCING ACTIVITIES			
Net borrowings (repayments) on revolving credit line....	5,354,637	(2,454,658)	
Increase in capital lease..............................	14,449	--	
Issuance of debt.......................................	--	--	
Principal payments on notes payable to bank	(153,776)	(155,384)	
Sale of common stock...................................	1,310,912	--	
Net cash provided by/(used in) financing activities.......	$ 6,526,222	$ (2,610,042)	$
NET INCREASE/(DECREASE) IN CASH..........................	$ 80	--	$
CASH - Beginning of Period...............................	1,200	--	
CASH - End of Period.....................................	$ 1,280	--	$

See notes to financial statements

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RIVIERA TOOL COMPANY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2004

NOTE 1 - BASIS OF PRESENTATION

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

In the opinion of management, the Financial Statements reflect all adjustments (consisting only of normal recurring adjustments) necessary to present fairly such information in accordance with generally accepted accounting principles. These Financial Statements should be read in conjunction with the financial statements and footnotes thereto included in the Company's Form 10-K dated December 1, 2003, for the fiscal year ended August 31, 2003.

The results of operations for the nine-month period ended May 31, 2004, may not be indicative of the results to be expected for the full year.

NOTE 2 - COSTS AND BILLINGS ON CONTRACTS IN PROCESS

Costs and billings on contracts in process are as follows:

	MAY 31, 2004
Costs incurred on contracts in process under the percentage of completion method	$ 35,398,3
Estimated gross profit	3,000,0
Total	38,398,3
Less progress payments received and progress billings to date	(30,134,7
Plus costs incurred on contracts in process under the completed contract method	101,6
Costs in excess of billings on contracts in process	$ 8,365,2

Included in estimated gross profit for May 31, 2004 and August 31, 2003 are jobs with losses accrued of $2,881,387 and $532,665, respectively.

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT, NET

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

	MAY 31, 2004
Leasehold improvements	$ 1,367,90
Office furniture and fixtures	168,28
Machinery and equipment	22,818,24
Construction in Process	492,72
Computer equipment and software	2,387,61
Transportation equipment	61,91
Total cost	27,296,68
Accumulated depreciation and amortization	14,694,36
Net carrying amount	$ 12,602,32

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RIVIERA TOOL COMPANY
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2004

NOTE 4 - LONG-TERM DEBT

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

		MAY 31, 2004
REVOLVING WORKING CAPITAL CREDIT LINE		
The revolving working capital credit line is collateralized by substantially all assets of the Company and provides for borrowing, subject to certain collateral requirements up to $12.5 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, 2006, and bears interest, payable monthly, at 1.0% above the bank's prime rate (as of May 31, 2004 and August 31, 2003, an effective rate of 5.0%)..	$	7,547,820
NOTES PAYABLE TO BANKS		
Note payable to bank, payable in monthly installments of $33,334, plus interest at the bank's prime rate plus 1.25% (as of May 31, 2004 and August 31, 2003, an effective rate of 5.25%), due December 1, 2007....................		1,466,667
Subordinated note payable to bank, payable in monthly installments of $31,000, including interest at 11%, due January 1, 2008........................		1,153,640
Total debt..		10,168,127
Less current portion of long-term debt............................		667,176
Long-term debt -- Net...	$	9,500,951

On June 16, 2004, the Company executed a new loan agreement with its primary lender. Under such agreement the Revolving Line of Credit was increased from $10.0 million to $12.5 million. In addition, the Company received a $500,000 Non-Revolving Capital Equipment Note. 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 May 31, 2004, the Company was in compliance with these new covenants.

NOTE 5 - SUBSEQUENT EVENT

On July 9, 2004, the Company entered into a Subordinated Loan and Security Agreement with The Hillstreet Fund II, LP. The Company received $3.0 million in subordinated debt, due and payable by June 30, 2010. Interest shall be payable quarterly commencing September 30, 2004 at an interest rate of 14% per annum. In addition, the Company will accrue 6% interest, compounded quarterly, which shall be due and payable upon the maturity of the loan principal. Principal shall be payable in quarterly installments of $250,000 commencing September 30, 2007 until June 30, 2010.

NOTE 6 - STOCKHOLDERS INVESTMENT

On March 16, 2004, the Company entered into a Securities Purchase Agreement ("SPA") with four accredited investors. The Company issued a total of 394,737 shares of unregistered Common Stock for $1,500,000 ($3.80 per share), plus Series B warrants for the purchase of up to 263,158 additional shares of Common Stock at $3.80 per share, for a potential additional investment of $1,000,000. The Series B Warrants are exercisable commencing March 16, 2004 through the earlier of the six-month anniversary of the earlier of the date of the effective registration statement or September 16, 2005. Additionally, the investors received Series A warrants providing 80% coverage of the initial 394,737 shares, with an exercise price of $5.07 per share for the first half of the warrants, and $5.53 for the

second half. The Company received net proceeds at the closing in the amount of $1,480,000, after deducting certain legal fees and expenses reimbursed to Bluegrass. The Company paid a finder's fee of $105,000 and issued warrants to purchase 10,000 shares with an exercise price of $5.07 per share and warrants to purchase 10,000 shares with an exercise price of $5.53 per share to Granite Financial Group, Inc. as a fee in connection with the transaction. The funds received under the SPA were used for working capital and debt reduction.

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

RESULTS OF OPERATIONS

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

	For The Three Months Ended	
	May 31, 2004	May 31, 2003
SALES	100.0%	100.0%
COST OF SALES	88.6%	89.0%
GROSS PROFIT	11.4%	11.0%
SELLING, GENERAL AND ADMINISTRATIVE EXPENSE	6.3%	5.1%
INCOME FROM OPERATIONS	5.1%	5.9%
TOTAL INTEREST EXPENSE	2.0%	2.0%
INCOME BEFORE INCOME TAXES	3.1%	3.9%
INCOME TAXES	--	--
NET INCOME	3.1%	3.9%

FORWARD-LOOKING STATEMENTS; RISKS AND UNCERTAINTIES

CERTAIN INFORMATION INCLUDED IN THIS QUARTERLY REPORT ON FORM 10-Q AND OTHER MATERIALS FILED OR TO BE FILED BY THE COMPANY WITH THE SECURITIES AND EXCHANGE COMMISSION CONTAIN CERTAIN STATEMENTS THAT MAY BE CONSIDERED FORWARD-LOOKING. FOR THIS PURPOSE, ANY STATEMENTS CONTAINED IN THIS REPORT THAT ARE NOT STATEMENTS OF HISTORICAL FACT MAY BE DEEMED TO BE FORWARD-LOOKING STATEMENTS. WITHOUT LIMITING THE FOREGOING, WORDS SUCH AS "MAY," "WILL," "EXPECT," "BELIEVE," "ANTICIPATE," "UNDERSTANDING," OR "CONTINUE," THE NEGATIVE OR OTHER VARIATION THEREOF, OR COMPARABLE TERMINOLOGY, ARE INTENDED TO IDENTIFY

FORWARD-LOOKING STATEMENTS. IN ADDITION, FROM TIME TO TIME, THE COMPANY MAY RELEASE OR PUBLISH FORWARD-LOOKING STATEMENTS RELATING TO SUCH MATTERS AS ANTICIPATED FINANCIAL PERFORMANCE, BUSINESS PROSPECTS, TECHNOLOGICAL DEVELOPMENTS AND SIMILAR MATTERS. THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 PROVIDES A SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS. IN ORDER TO COMPLY WITH THE TERMS OF THE SAFE HARBOR, THE COMPANY NOTES THAT A VARIETY OF FACTORS COULD CAUSE THE COMPANY'S ACTUAL RESULTS AND EXPERIENCE TO DIFFER MATERIALLY FROM THE ANTICIPATED RESULTS OR OTHER EXPECTATIONS EXPRESSED IN THE COMPANY'S FORWARD-LOOKING STATEMENTS. THESE STATEMENTS BY THEIR NATURE INVOLVE SUBSTANTIAL RISKS AND UNCERTAINTIES, AND ACTUAL RESULTS MAY DIFFER MATERIALLY DEPENDING UPON A VARIETY

OF FACTORS, INCLUDING CONTINUED MARKET DEMAND FOR THE TYPES OF PRODUCTS AND SERVICES PRODUCED AND SOLD BY THE COMPANY.

COMPARISON OF THE THREE MONTHS ENDED MAY 31, 2004 TO THE THREE MONTHS ENDED MAY 31, 2003.

REVENUES - Revenues for the quarters ended May 31, 2003 and May 31, 2004 totaled $9.9 million and $7.6 million, respectively, a decrease of $2.3 million or 23%. The Company is near completion of significant tooling programs for both the Mercedes-Benz M Class sports utility vehicle and a new "crossover" vehicle.

The Company's backlog of awarded contracts, which are all believed to be firm, was approximately $7.6 million and $26.1 million as of May 31, 2004 and May 31, 2003, respectively. The Company expects all backlog contracts will be reflected in sales during fiscal years ending August 31, 2004 and 2005. The Company continues to see a general "softness" in the overall domestic automotive tooling industry. The Company believes that such conditions should improve in the fourth quarter of fiscal 2004 and the first two quarters of 2005 as a result of recent increased quoting activities. Such tooling programs may have been delayed for many reasons including continued styling changes, production related issues as well as the effects of the global automotive supply chain on the awarding of contracts. The Company continues to be optimistic and is aggressively pursuing available tooling contracts.

COST OF SALES - Total cost of goods sold was $6.7 million for the third quarter of fiscal 2004 and $8.8 million for fiscal 2003, and as a percent of sales decreased slightly from 89.0% for 2003 to 88.6% for 2004. Direct costs (materials and labor) decreased by $2.0 million, from $6.4 million for 2003 to $4.4 million for 2004. As a percent of sales, direct costs decreased from 64.8% in 2003 to 57.5% in 2004. Engineering expense decreased by $129,000 from $660,000 for 2003 to $531,000 for 2004. Lastly, manufacturing overhead increased by $100,000 from $1.7 million for 2003 to $1.8 million for 2004. As a percent of sales, manufacturing overhead expense increased from 17.5% in 2003 to 24.1% in 2004 as a result of lower revenue levels to absorb fixed manufacturing overhead expense. Additional details of these changes in cost of sales for the third quarters of fiscal 2003 and 2004 are as follows:

- Direct materials expense decreased from $1.9 million for the third quarter of 2003 to $763,000 for 2004 and as a percent of sales, decreased from 19.2% to 10.0%. This decrease was a result of lower material requirements for current tooling contracts. Outside services expense decreased from $2.8 million for 2003 to $1.9 million for 2004 and as a percent of sales from 28.4% to 25.5%. This decrease was largely due to the Company incurring $734,000 less in expense related to its outsourced revenue in the third quarter of 2004. The balance of the outside services expense decreased from $448,000 to $301,000 as a result of the Company outsourcing less of certain manufacturing processes in the third quarter of 2004.

- Direct labor expense remained consistent at $1.7 million for 2003 and 2004 and as a percent of sales increased from 17.2% to 22.0%. During the third quarter of 2004 the Company incurred a 1% decrease in direct labor hours, from 83,000 hours in 2003 to 82,000 in 2004. Of the total direct labor expense, regular or straight time decreased by $25,000 however as a percent of sales it increased from 10.7% for 2003 to 13.7% for 2004. Overtime expense decreased slightly from $644,000 for 2003 to $632,000 for 2004 however, as a percent of sales, increased from 6.5% for 2003 to 8.3% for 2004.

- Engineering expense decreased from $660,000 for 2003 to $531,000 for 2004. As a percent of sales, engineering expense increased from 6.7% to 7.0% as a result of lower revenue levels in 2004 to absorb engineering expense overhead.

- Manufacturing overhead was $1.7 million or 17.5% of sales for 2003 as compared to $1.8 million or 24.1% of sales for 2004. During 2004, increases in manufacturing overhead were largely due to increases in supervision and indirect labor expense, medical insurance premiums and payroll tax expense.

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SELLING AND ADMINISTRATIVE EXPENSE - Selling and administrative expense decreased slightly from $506,000 for the third quarter of 2003 to $480,000 for 2004. As a percent of sales, selling and administrative expense increased from 5.1% for 2003 to 6.3% for 2004. The largest selling and administrative expense decreases were in director's fees and liability insurance.

INTEREST EXPENSE - Interest expense decreased from $196,000 for 2003 to $149,000 for 2004. This decrease was largely due to the lower levels of debt during the comparative periods.

COMPARISON OF THE NINE MONTHS ENDED MAY 31, 2004 TO THE NINE MONTHS ENDED MAY 31, 2003.

REVENUES - Revenues for the nine months ended May 31, 2004 totaled $24.2 million as compared to $22.6 million for the nine months ended May 31, 2003, an increase of 7%. This increase is due the Company being in the final phase of completion on two significant tooling programs.

The Company continues to see a general "softness" in the overall domestic automotive tooling industry. The Company believes that such conditions should improve in the fourth quarter of fiscal 2004 and the first two quarters of 2005 as a result of recent increased quoting activities. Such tooling programs may have been delayed for many reasons including continued styling changes, production related issues as well as the effects of the global automotive supply chain on the awarding of contracts. The Company continues to be optimistic and is aggressively pursuing available tooling contracts. For the nine months ended May 31, 2004, the Company had incurred approximately 247,000 shop floor hours as compared to 213,000 during the same period of 2003, an increase of 34,000 hours or 16%.

COST OF SALES - Cost of goods sold increased from $20.3 million for the nine months ended May 31, 2003 to $21.6 million for the nine months ended May 31, 2004, however as a percent of sales decreased slightly from 90.0% for 2003 to 89.4% for 2004. Direct costs (materials and labor) increased by $890,000 million, from $13.5 million for 2003 to $14.4 million for 2004. Engineering expense increased by $200,000 from $1.7 million for 2003 to $1.9 million for

2004. Lastly, manufacturing overhead increased by $300,000 from $5.0 million for 2003 to $5.3 million for 2004. Additional details of these changes in cost of sales for the nine months ended May 31, 2003 and May 31, 2004 are as follows:

- Direct materials expense decreased from $4.1 million to $3.5 million for the first three quarters of 2003 and 2004, respectively. Outside services expense increased from $5.3 million for 2003 to $6.0 million for 2004 and as a percent of sales from 23.5% to 24.8%. This increase was largely due to the Company outsourcing certain manufacturing processes during the first two quarters of 2004 in an attempt to meet customer delivery dates while incorporating a high number of customer engineering changes to the tooling.

- Direct labor expense increased from $4.2 million for 2003 to $4.9 million for 2004 and as a percent of sales increased from 18.4% to 20.4%. This change was a result of the Company incurring a 16% increase in direct labor hours, from 213,000 hours in 2003 to 247,000 in 2004. Of the total direct labor expense, regular or straight time increased by $444,000 and as a percent of sales from 12.0% for 2003 to 13.0% for 2004. Overtime expense increased from $1,448,000 for 2003 to $1,785,000 for 2004 and as a percent of sales, increased from 6.4% for 2003 to 7.4% for 2004 as a result of the Company attempting to meet customer delivery dates while incorporating a high number of customer engineering changes to the tooling.

- Engineering expense increased from $1.7 million, 7.6% of sales, for 2003 to $1.9 million, 7.8% of sales, for 2004. This increase was due to the Company's level of engineering personnel staffing required to fulfill the design and project management portions of contracts.

- Manufacturing overhead was $5.0 million or 22.3% of sales for 2003 as compared to $5.3 million or 22.0% of sales for 2004. During 2004, increases in manufacturing overhead were largely due to increases in supervision and indirect labor expense, medical insurance premiums and increases in payroll tax expense.

SELLING AND ADMINISTRATIVE EXPENSE - Selling and administrative expense increased from $1.2 million for the first three quarters of 2003 to $1.4 million for 2004. As a percent of sales, selling and administrative expense increased from 5.5% for 2003 to 5.7% for 2004. The largest selling and administrative expense increases were in salaries and wages and State of Michigan Single Business Tax expense.

INTEREST EXPENSE - Interest expense decreased from $577,000 for 2003 to $480,000 for 2004. This decrease was largely due to the lower levels of debt during the comparative periods.

FEDERAL INCOME TAXES

For the three and nine months ended May 31, 2004, the Company recorded a reduction in the valuation allowance of approximately $81,000 and $234,000, respectively, to offset the income tax expense.

LIQUIDITY AND CAPITAL RESOURCES

During the nine months ended May 31, 2004, the Company's cash used in operating activities was $1.6 million. This largely resulted from an increase of $5.0 million in receivables and a $3.8 million decrease in contracts in process. From investing activities, the Company incurred an increase in other assets (cash surrender value of life insurance policies) of $22,000 and $821,000 in additions to property, plant and equipment. The Company received net cash from financing activities of $2.5 million. The cash from financing activities included the Company receiving $1.3 million through the sale of common stock and borrowed $1.5 million on it's revolving line of credit while reducing it's long-term debt by $436,000.

The Company believes that the unused portion of the increased revolving bank working capital credit line, receipt of progress payments from the Company's major customer, equity raised during the third quarter and subordinated debt issued subsequent to the quarter end as well as funds generated from operations should be sufficient to cover anticipated cash needs through fiscal 2005. However, depending on the level of future sales, and the terms of such sales, an expanded credit line or other financial instruments 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 and/or other financing, if required.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

None.

ITEM 4. CONTROLS AND PROCEDURES

Within the 90-day period prior to the filing of this Quarterly Report on Form 10-Q, an evaluation was carried out under the supervision, and with the participation of the Company's management, including the Chief Executive Officer (the "CEO") and Chief Financial Officer ("CFO"), of the effectiveness and design of disclosure controls and procedures used to prepare consolidated financial statements. Based on that evaluation, the CEO and CFO have concluded the disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in reports filed or to be filed with the SEC are adequate and are operating in an effective manner. While the CEO and CFO believe that the Company's existing disclosure controls and procedures have been effective to accomplish its objectives, the CEO and CFO intend to examine, refine and formalize our disclosure controls and procedures and monitor ongoing developments.

There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the most recent evaluation.

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 to disclose material information otherwise required to be set forth in the Company's periodic reports.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On March 3, 2004 the Company received a summons from the U.S. Bankruptcy Court, Northern District of Illinois regarding National Steel Corporation, which filed for Chapter XI Bankruptcy on March 6, 2002. The National Steel Corporation Trust brings this action in an attempt to collect certain purported preferential transfers made to the Company total $207,710.

ITEM 5. OTHER INFORMATION

On June 16, 2004, the Company executed a new loan agreement with its primary lender. Under such agreement the existing financing was extended to December 1, 2007 and the Revolving Line of Credit was increased from $10.0 million to $12.5 million. In addition, the Company received a $500,000 Non-Revolving Capital Equipment Note. 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 May 31, 2004, the Company was in compliance with these new covenants.

On July 9, 2004, the Company entered into a Subordinated Loan and Security Agreement with The Hillstreet Fund II, LP. The Company received $3.0 million in subordinated debt, due and payable by June 30, 2010. Interest shall be payable quarterly commencing September 30, 2004 at an interest rate of 14% per annum. In addition, the Company will accrue 6% interest, compounded quarterly, which shall be due and payable upon the maturity of the loan principal. Principal shall be payable in quarterly installments of $250,000 commencing September 30, 2007 until June 30, 2010.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

10.1 Securities Purchase Agreement, dated March 16, 2004 (Incorporated by reference as Exhibit 10.4 to Registrant's Registration Statement on Form S-3 (File No. 333-114955) filed with the Commission on April 28, 2004)

10.2 Registration Rights Agreement, dated March 16, 2004 (Incorporated by reference as Exhibit 10.1 to Registrant's Registration Statement on Form S-3 (File No. 333-114955) filed with the Commission on April 28, 2004)

10.3 Form of Series A Warrant, dated March 16, 2004 (Incorporated by reference as Exhibit 10.2 to Registrant's Registration Statement on Form S-3 (File No. 333-114955) filed with the Commission on April 28, 2004)

10.4 Form of Series B Warrant, dated March 16, 2004 (Incorporated by reference as Exhibit 10.3 to Registrant's Registration Statement on Form S-3 (File No. 333-114955) filed with the Commission on April 28, 2004)

10.5 Third Amendment to Line of Credit and Term Loan Agreement, dated July 9, 2004, with Comerica Bank

10.6 Second Amendment to Line of Credit and Term Loan Agreement (including Capital Equipment Note), dated June 16, 2004, with Comerica Bank

10.7 Subordinated Loan and Security Agreement, dated July 10, 2004, with The Hillstreet Fund II, LP

10.8 Subordinated Note due June 30, 2010, dated July 10, 2004, with The Hillstreet Fund II, LP

31.1 Principal Executive Officer Certification

31.2 Principal Financial Officer Certification

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

(b) Reports on Form 8-K:

Current Report on Form 8-K, dated March 22, 2004, relating to private placement and filed with the Commission on March 24, 2004.

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SIGNATURES

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

Date: July 15, 2004

Riviera Tool Company

/s/ Kenneth K. Rieth

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

/s/ Peter C. Canepa

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

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