RIVIERA TOOL CO
Form 10-K
November 30, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON DC 20549

FORM 10-K

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

(Mark One)

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

For the fiscal year ended August 31, 2005

OR

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

Commission file number 001-12673

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

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

5460 EXECUTIVE PARKWAY SE GRAND RAPIDS, MI	49512
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

The aggregate market value of the voting common stock of the Registrant (based upon the last reported sale of the Common Stock at that date by the American Stock Exchange) held by non-affiliates was $1,896,028 as of November 29, 2005.

The number of shares outstanding of the Registrant's common stock as of November 30, 2005 was 3,984,874 shares of common stock without par value.

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

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement to be used in connection with the 2006 Annual Meeting of Shareholders is incorporated by reference into Part III of this report.

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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

November 30, 2005

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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") and their suppliers in fiscal years 2003, 2004 and 2005.

	YEAR ENDED AUGUST 31,					
	2003		2004		2005	
CUSTOMER	AMOUNT	%	AMOUNT	%	AMOUNT	%
Suppliers of Mercedes-Benz	$19.2	56%	$20.8	84%	$ 5.7	29%
BMW	0.3	1	--	--	--	--
Suppliers of BMW	3.0	10	--	--	--	--
DaimlerChrysler AG	1.9	6	0.2	1	1.4	7
Suppliers of DaimlerChryslerAG	1.0	1	0.3	1	5.0	26
Ford Motor Company	0.9	1	--	--	--	--

Suppliers of Ford Motor Co.	2.4	7	--	--	--	--
General Motors Corporation	0.5	2	0.9	4	3.4	18
Suppliers of General Motors Corporation ..	0.2	--	0.5	2	1.6	8
Other manufacturers and their suppliers ..	4.7	16	2.0	8	2.2	12
Total Sales	$34.1	100%	$24.7	100%	$19.3	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 spending on manufacturing equipment for use in the production of new products or models and, in the Company's case, predominantly the automotive industry. The market for U.S. produced tooling has both cyclical and structural factors that create tooling product demand.

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.

PRODUCTS AND SERVICES

Dies. The Company's dies are used in the high-speed production of sheet metal stamped parts and assemblies. Production of such parts is a multiple step process involving a series of dies. Typically, the first die is used to cut the

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

Engineering of Product and Process. As the OEMs continue their efforts to

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

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

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

MANUFACTURING

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

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

QS 9000/TE CERTIFICATION

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

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

RAW MATERIALS

The steel, castings and other components utilized by the Company in the 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 pass any increase in steel cost to its customers. The Company has been able to obtain adequate supplies of raw materials for its operations.

MARKETING AND SALES

The Company's marketing emphasis is on DaimlerChrysler, Ford, General Motors, Mercedes-Benz and BMW and their respective tier one suppliers. The Company maintains relationships with DaimlerChrysler, Ford, General Motors, Mercedes-Benz and BMW that directly accounted for approximately 25%, in the aggregate, of the Company's revenues in 2005. For the year ended August 31, 2005, DaimlerChrysler, Ford, General Motors, Mercedes-Benz, BMW and their respective tier one suppliers accounted for approximately 88%, in the aggregate, of the Company's revenues. For the year ended August 31, 2004, DaimlerChrysler, Ford, General Motors, Mercedes-Benz and BMW and their respective tier one supplier directly accounted for 92%, in the aggregate, of the Company's revenues.

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

BACKLOG AND SEASONALITY

The Company's backlog of awarded contracts, which are all believed to be firm, was approximately $13.7 million and $2.5 million as of August 31, 2005 and 2004, respectively. The Company expects all August 31, 2005 backlog contracts will be reflected in sales during the fiscal years ended August 31, 2006 and 2007. The Company's sales of stamping dies do not follow a seasonal pattern; however, the timing of new model introductions and existing model restyling tooling programs are dependent on DaimlerChrysler, Ford, General Motors, Mercedes-Benz, BMW and their respective introduction of new models.

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.

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

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

SIGNIFICANT CUSTOMERS

The Company maintains relationships with DaimlerChrysler, Ford, General Motors, Mercedes-Benz and BMW, which directly accounted for approximately 25%, in the aggregate, of the Company's revenues in 2005. For the year ended August 31, 2005, DaimlerChrysler, Ford, General Motors, Mercedes-Benz and BMW and their respective tier one suppliers accounted for approximately 88%, in the aggregate, of the Company's revenues.

EMPLOYEES

The Company's work force consists of approximately 140 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 70 skilled tradesmen who are either journeymen tool and die makers or machinists. None of the Company's employees are covered by a collective bargaining agreement. The Company has not experienced any work stoppages and considers its relations with

its employees to be good. The Company has a discretionary contribution 401(K) plan. The Company has no pension liabilities arising from any defined benefit plan.

ENVIRONMENTAL MATTERS

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

ITEM 2. PROPERTIES

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

ITEM 3. LEGAL PROCEEDINGS

The Company is a party to routine litigation matters in the ordinary course of its business. No such pending matters, individually or in the aggregate, if adversely determined, are believed by management to be material to the business or financial condition of the Company.

On February 14, 2005, Gestamp Alabama ("Gestamp"), the alleged successor to Oxford Automotive, Inc. ("Oxford") brought a civil action against Riviera in the Circuit Court for the County of Kent, State of Michigan, seeking a right to immediate possession of certain tooling for use on Mercedes-Benz automobiles, as well as unspecified damages. On February 25, 2005, Mercedes-Benz U.S. International, Inc. ("MBUSI") intervened in and was added to the litigation aligned as a Plaintiff, and sought virtually identical relief as that sought by Gestamp. On August 1, 2005, the Company reached a Settlement Agreement and Mutual Release with Gestamp and MBUSI. Under such settlement, Gestamp and MBUSI paid certain claims against the Company by its' subcontactors and the Company has agreed to provide certain services to Gestamp and MBUSI over the next three years. The value of such services total $1.8 million and is recorded as a liability of the Company on its August 31, 2005 balance sheet.

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.

PERIOD	FISCAL 2004 HIGH	FISCAL 2004 LOW	FISCAL 2005 HIGH	FISCAL 2005 LOW
1st quarter.............	$5.10	$1.04	$2.60	$1.75
2nd quarter.............	$5.70	$1.01	$2.05	$0.85
3rd quarter.............	$4.99	$1.75	$1.69	$1.02
4th quarter.............	$3.70	$2.81	$1.55	$0.85

As of November 18, 2005, there were 40 holders of record of the Company's Common Stock. The number of holders of record of the Company's Common Stock on October 31, 2005 was computed by a count of record holders. The Company has 3,984,874 shares of Common Stock outstanding.

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

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):

OPTION PLAN	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
1996 STOCK OPTION PLAN, AS AMENDED		
Outstanding at end of year, August 31, 2002	110,000	$ 4.83
Fiscal Year Ended August 31, 2003		
- Stock options granted..........................	--	--
Outstanding at end of year, August 31, 2003.....	110,000	$ 4.83
Fiscal Year Ended August 31, 2004		
- Stock options granted..........................	--	--
Outstanding at end of year, August 31, 2004.....	110,000	$ 4.83
Fiscal Year Ended August 31, 2005		
- Stock options forfeited........................	(10,000)	$6.625
- Stock options forfeited........................	(20,000)	$ 3.75

Outstanding at end of year, August 31, 2005.....	80,000	$ 4.83
1998 KEY EMPLOYEE STOCK OPTION PLAN		
Outstanding at end of year, August 31, 2002.....	107,000	$ 5.20
Fiscal Year Ended August 31, 2003		
- Stock options forfeited.........................	(2,000)	$ 3.75
- Stock options forfeited.........................	(2,000)	$6.625
Outstanding at end of year, August 31, 2003.....	103,000	$ 5.20
Fiscal Year Ended August 31, 2004		
- Stock options granted..........................	--	--
Outstanding at end of year, August 31, 2004.....	103,000	$5.20
Fiscal Year Ended August 31, 2005		
- Stock options forfeited.........................	(1,000)	$ 3.75
- Stock options forfeited.........................	(1,000)	$6.625
Outstanding at end of year, August 31, 2005.....	101,000	$ 5.20

ITEM 6. SELECTED FINANCIAL DATA

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

	FISCAL YEAR ENDED AUGUST 31,				
STATEMENT OF OPERATIONS DATA:	2001	2002	2003	2004	
Sales	$12,047	$14,050	$34,084	$24,689	$
Gross profit (loss)	(3,062)	(630)	3,377	(5,349)	
Income (loss) from operations	(4,712)	(2,289)	1,687	(7,363)	
Interest expense	725	653	779	872	
Other expense	5	59	8	6	
Income (loss) before income taxes	(5,442)	(3,002)	900	(8,241)	
Income tax expense (benefit)	(1,538)	--	--	--	
Net income (loss) available for common shares	$(3,904)	$(3,002)	$ 900	$(8,241)	$
Basic and diluted earnings (loss) per common share ..	$ (1.16)	$ (.89)	$ .27	$ (2.18)	$
Basic and diluted common shares outstanding	3,379	3,379	3,379	3,774	
OTHER DATA :					
Depreciation and amortization expense	$ 1,952	$ 1,913	$ 1,840	$ 1,758	$

BALANCE SHEET DATA:	AS OF AUGUST 31, 2001	2002	2003	2004	2005
Working Capital (Deficit)	$ 5,176	$(3,513)	$ 7,762	$(6,954)	$ 1,539
Total Assets	25,146	24,984	33,751	27,898	21,217
Current Portion of Long-Term Debt	1,876	3,855	639	15,735	3,288
Revolving Line of Credit	3,143	6,500	5,982	9,850	6,535
Long-term Debt, less current portion	3,384	--	2,418	--	2,335
Common Stockholders' Equity	14,812	11,810	12,710	5,780	3,982

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.

STATEMENT OF OPERATIONS DATA:	FISCAL YEAR ENDED AUGUST 31, 2001	2002	2003	2004	2005
Sales	100%	100%	100%	100%	100%
Gross Profit (Loss)	(25)	(4)	10	(22)	12
Income (Loss) from Operations	(39)	(16)	5	(30)	(2)
Interest Expense	6	5	2	3	9
Other Expense	--	--	--	--	2
Income (Loss) before Income Taxes	(45)	(21)	3	(33)	(13)
Income Tax Expense (Benefit)	(13)	--	--	--	--
Net Income (Loss) available for common shares ..	(32%)	(21%)	3%	(33%)	(13%)
OTHER DATA:					
Depreciation and amortization expense	16%	14%	5%	7%	9%

QUARTERLY FINANCIAL DATA

The following is a condensed summary of quarterly results of operations for 2003, 2004 and 2005 (in thousands, except per share data):

PERIOD	SALES	GROSS PROFIT/ (LOSS)	OPERATING INCOME/ (LOSS)	NET INCOME /(LOSS) AVAILABLE FOR COMMON SHARES	BASIC AND DILUTED EARNINGS (LOSS) PER SHARE	COMMON SHARES OUTSTANDING
2003: First	$ 4,339	$ 293	$ (29)	$ (189)	$ (.06)	3,379

	Second	8,304	869	453	231	.07	3,379
	Third	9,919	1,093	587	391	.12	3,379
	Fourth	11,522	1,121	676	467	.14	3,379
	Total	$34,084	$ 3,376	$ 1,687	$ 900	$ .27	3,379
2004	First	$ 8,311	$ 850	$ 446	$ 238	$ .07	3,379
	Second	8,293	840	335	212	.06	3,379
	Third	7,597	867	387	239	.06	3,774
	Fourth	488	(7,906)	(8,531)	(8,930)	(2.37)	3,774
	Total	$24,689	$(5,349)	$(7,363)	$(8,241)	$(2.18)	3,774
2005:	First	$ 4,553	$ 514	$ (65)	$ (465)	$ (.12)	3,774
	Second	4,981	829	(38)	(428)	(.11)	3,774
	Third	4,687	580	(80)	(776)	(.20)	3,807
	Fourth	5,053	369	(315)	(833)	(.22)	3,836
	Total	$19,274	$ 2,292	$ (498)	$(2,502)	$ (.65)	3,836

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

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

GENERAL OVERVIEW

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

CRITICAL ACCOUNTING POLICIES

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon the Company's Financial Statements. These financial statements have been prepared in accordance with accounting

principles generally accepted in the United States of America. These principles require the use of estimates and assumptions that affect amounts reported and

disclosed in the financial statements and related notes. The accounting policies that may involve a higher degree of judgment, estimates and complexity include revenue recognition using percentage of completion estimates and the assessment of asset impairments. The Company uses the following methods and assumptions in its estimates.

- 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 reviews long-lived assets for impairment if changes in circumstances or the occurrence of events suggest the remaining value may not be recoverable. This review is performed using estimated future cash flows. If the carrying value of a long-lived asset is considered to be impaired, an impairment charge is recorded for the amount that the carrying value of the long-lived asset exceeds its fair value.

NEW ACCOUNTING STANDARDS

In December, 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123 (R), "Share-Based Payments" that will require compensation costs related to share-based payment transactions to be recognized in the financial statements. With limited exceptions, the amount of compensation cost will be measured based on the grant date fair value of the equity or liability instruments issued. In addition, liability awards will be re-measured each reporting period. Compensation costs will be recognized over the period that an employee provides services in exchange for the award. SFAS No. 123 (R) replaces SFAS No. 123, "Accounting for Stock-Based Compensation", and supercedes Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations. SFAS No. 123 (R) becomes effective at the beginning of our fiscal year ending August 31, 2006. We expect that the impact of adopting SFAS No. 123 (R) will not be material.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. During 2005, the Company sustained a loss from operations of $498,282 and a net loss of $2,502,248. This loss resulted in an accumulated deficit of $13,148,735 as of August 31, 2005. These factors, among other things, raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company believes that the revolving line of credit and the funds generated from operations, will be sufficient to cover anticipated cash needs through fiscal 2006. However, depending on the Company's level of future sales, terms of

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

IMPAIRMENT OF LONG-LIVED ASSETS

We review long-lived assets for impairment if changes in circumstances or the occurrence of events suggest the remaining value may not be recoverable. An asset is deemed impaired and written down to its fair value if estimated related total future undiscounted cash flows are less than its book (carrying) value. In performing our evaluation of long-lived assets for impairment, we utilized undiscounted cash flows based on the assets estimated remaining useful lives. In developing the projections, we estimated revenues for each year and estimated resulting margins based upon

various assumptions including future market pricing trends and historical financial costs. The analysis concluded that the estimated total undiscounted future cash flows were in excess of the carrying value of long-lived assets. Had the analysis concluded that the total undiscounted future cash flows been below the carrying value, an impairment charge of the difference between the carrying value and the lower of the total discounted cash flows or fair value would have been recorded.

RESULTS OF OPERATIONS

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

FISCAL 2005 COMPARED TO FISCAL 2004

REVENUE.

Total revenue decreased from approximately $24.7 million in 2004 to $19.3 million in 2005, a decrease of 22%. This decrease was a result of the Company experiencing a low contract backlog of $2.5 million as of August 31, 2004, which resulted in a decrease of 22% in shop floor hours and lower sales in fiscal 2005.

The Company's backlog of awarded contracts, which are all believed to be firm, was approximately $13.7 million and $2.5 million as of August 31, 2005 and 2004, respectively, an increase of 448%. The Company expects all backlog contracts will be reflected in sales during fiscal years ending August 31, 2006 and 2007.

COST OF GOODS SOLD.

Cost of goods sold decreased from $30.0 million for 2004 to $17.0 million for 2005 and, as a percent of sales, decreasing from 122% for 2004 to 88% for 2005. Direct costs (materials and labor) decreased by $12.3 million, from $20.6 million for 2004 to $8.3 million for 2005. Engineering expense decreased by $0.2 million from $2.4 million for 2004 to $2.2 million for 2005. Lastly, of the cost of goods sold, manufacturing overhead decreased by $0.5 million from $7.0 million for 2004 to $6.5 million for 2005. Additional details of these changes in cost of sales for 2004 and 2005 are as follows:

- Direct materials expense decreased from $4.2 million for 2004 to $2.8 million for 2005 and as a percent of sales from 17% to 15%. This

decrease was largely due to lower contract material requirements during 2005 as compared to 2004. During 2005, the Company's contract mix included an increase in die component machining work for the OEMs. Such contacts have lower direct material requirements as compared to construction contracts as the materials are supplied by the customer. Outside services expense decreased from $9.7 million for 2004 to $0.4 million for 2005 and as a percent of sales from 39% to 2%. This decrease was largely due to the Company incurring $7.2 million of expense related to its outsourced projects in 2004. The balance of the outside services expense was due to lower sales volumes and internalizing of certain machining work, which was historically outsourced.

- Direct labor expense decreased by 26% from $6.7 million for 2004 to $5.0 million for 2005 and, as a percent of sales, decreasing from 27% to 26%. This change was a result of the Company incurring a 22% decrease in direct labor hours, from 318,000 hours in 2004 to 249,000 in 2005. Of the total direct labor expense, regular or straight time decreased 24% or $1.1 million and, as a percent of sales, decreased from 18% for 2004 to 17% for 2005. Overtime expense decreased 30% or $0.7 million, from $2.3 million for 2004 to $1.6 million for 2005 and, as a percent of sales, decreasing from 9% for 2004 to 8% for 2005.

- Engineering expense decreased from $2.4 million, or 10% of sales, for 2004 to $2.2 million, or 11% of sales, for 2005. This decrease was largely as a result of a $0.2 million decrease in engineering salaries and related payroll taxes expense.

- Manufacturing overhead was $6.5 million or 34% of sales for 2005 as compared to $7.0 million or 28% of sales for 2004. During 2005, decreases in manufacturing overhead were largely attributed to decreases of $154,000 in labor and payroll tax expenses, $148,000 in manufacturing supplies expense, $86,000 in health and workers compensation insurance expense, $77,000 in depreciation expense and $52,000 in building

maintenance and supplies expense. The increase of approximately 6% of manufacturing overhead, as a percent of sales, was largely due to lower overhead absorption resulting from lower sales volumes in 2005.

SELLING AND ADMINISTRATIVE EXPENSE.

Selling and administrative expense for 2005 increased to $2.8 million or 15% of sales, from $2.0 million or 8% of sales in 2004. This increase was largely a result of the Company incurring an additional $0.7 million in legal and professional fees during 2005. The largest increase related to the Company's former primary lender, Comerica Bank, requiring the Company to retain the services of a consulting company and reimburse the lender's legal counsel. Such expenses totaled approximately $0.5 million. The remaining increases in legal and professional expenses were incurred in regards to the Company's litigation, refinancing and S-1 filing.

INTEREST EXPENSE.

Interest expense increased from $0.9 million for 2004 to $1.6 million for 2005. During the first three quarters of 2005 the Company was under a Forbearance Agreement with its then primary lender - Comerica Bank. Under such agreement the

Company was charged a higher interest rate on its debt (from prime plus 1.25% in 2004 to prime plus 4% in 2005) as well as an additional $0.1 million in forbearance fees during 2005.

OTHER EXPENSE - SUBORDINATED DEBT FINANCING COSTS.

During the third quarter of 2005, the Company retired its $3.0 million subordinated debt with Hillstreet Capital. This subordinated debt was paid prior to the scheduled retirement and resulted in the Company expensing approximately $0.3 million of debt issuance costs during 2005. These debt issuance costs were originally capitalized at the time of the transaction (fiscal 2004) and were being amortized over the original repayment schedule.

FISCAL 2004 COMPARED TO FISCAL 2003

REVENUE.

Total revenue decreased from approximately $34 million in 2003 to $25 million in 2004, a decrease of 28%. This decrease was a result of the Company completing its significant tooling programs for a major European automaker for a sports utility vehicle and a new "crossover" vehicle to be manufactured in the United States. The Company's customer for these vehicles is the Tier 1 supplier to Mercedes-Benz for these particular vehicles. During the fourth quarter of 2004, the Company had significant difficulties in completing the contracts, which had a severe negative effect on revenue, cost of sales, and related earnings. The Company, due to many various circumstances, incurred significant cost overruns on many of the parts under the contracts. Many of these cost overruns involve customer timing changes, material specification changes and the Company outsourcing the completion of many dies to meet customer deadlines. All of the aforementioned issues resulted in the Company incurring approximately $4.0 million in additional outsourcing costs and $3.5 million in additional labor costs. The Company accrued $5.2 million of estimated losses on these contracts and others as of August 31, 2004. The outsourcing costs were incurred as a result of the Company having certain "bottlenecks" in its production. These bottlenecks were a result of changes to material specifications combined with an increase in the number of engineering changes required. The material specification changes involved customer changes from a grade of steel the Company had previous experience with to a new grade of high-strength steel which, not only had the Company had no experience working with, was also new to the customer. As a result of this new material, the Company could not simulate the flow of the steel in the dies. Due to the lack of historical data as to the material flow, the Company, in some cases, had to re-cut the dies up to eight times to get the part within specifications with this material. This created capacity constraints in the Company's machining and tryout areas. As a result of these constraints, the customer required that the Company utilize specified outside die shops to complete certain dies, which were constructed internally. The customer decided that the Company's internal capacity had become overburdened as a result of the rework being performed by the Company to obtain part specifications with the new high-strength steel. Had the Company not outsourced this work, the customer may have cancelled the contracts and charged the Company for all of the added costs incurred. In addition, the customer may have discontinued the scheduled progress payments, which would have caused severe cash-flow problems for the Company. Management took the position that by outsourcing this work directly, the added costs were better controlled and prevented potential cash-flow difficulties.

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

COST OF GOODS SOLD.

Cost of goods sold decreased from $30.7 million for 2003 to $30.0 million for 2004. However, as a percent of sales, cost of goods sold increased from 90% for 2003 to 122% for 2004. Direct costs (materials and labor) decreased by $0.8 million, from $21.4 million for 2003 to $20.6 million for 2004. Engineering expense remained consistent at $2.4 million for both 2003 and 2004. Lastly, of the cost of goods sold, manufacturing overhead remained consistent at $7.0 million for 2004 versus $6.9 million for 2003. Additional details of these changes in cost of sales for 2003 and 2004 are as follows:

- Direct materials expense decreased from $6.4 million for 2003 to $4.2 million for 2004 and as a percent of sales from 19% to 17%. This decrease was largely due to lower contract material requirements during 2004 as compared to 2003. Outside services expense increased from $9.4 million for 2003 to $9.7 million for 2004 and increased as a percent of sales from 27% to 39%. Of the outsourced services expense for 2004, approximately $4.0 million of the $9.7 million was in excess of amounts estimated for certain jobs and created extensive cost overruns on those particular jobs as described in the aforementioned Revenue section.

- Direct labor expense increased from $5.7 million for 2003 to $6.7 million for 2004 and as a percent of sales, direct labor increased from 17% to 27%. This change was a result of the Company incurring a 4% increase in direct labor hours, from 304,000 hours in 2003 to 318,000 in 2004. Of the total direct labor expense, regular or straight time increased by $0.7 million and as a percent of sales increased from 11% for 2003 to 18% for 2004. Overtime expense increased from $1.9 million for 2003 to $2.3 million for 2004 and as a percent of sales increased from 6% for 2003 to 9% for 2004. The Company incurred added labor costs of approximately $3.5 million related to the construction and buy-off difficulties noted above.

SELLING AND ADMINISTRATIVE EXPENSE.

Selling and administrative expense for 2004 increased by $0.3 million to $2.0 million as compared to $1.7 million for 2003. As a percent of sales, selling and administrative expense increased from 5% for 2003 to 8% for 2004. This largely consisted of increases of $141,000 in administrative and sales salaries, $79,000 in State of Michigan Single Business Tax, $50,000 in deferred compensation expense and $38,000 in public company expenses.

INTEREST EXPENSE.

Interest expense increased from $0.8 million for 2003 to $0.9 million for 2004. This increase was largely due to the Company incurring additional interest expense related to issuance of $3.0 million subordinated debt during the fourth quarter of 2004.

FISCAL 2005:

FEDERAL INCOME TAX.

The Company's effective income tax rates were 0% for the years ended August 31, 2003, 2004 and 2005. The Company had approximately $164,000 of alternative minimum tax credits as of August 31, 2005, the use of which does not expire, and federal net operating loss carryforwards of $7,304,000, which expire, if unused, in fiscal 2022, 2023 and 2025. The Company has a valuation allowance of

$3,737,000 and $4,615,000 at August 31, 2004 and 2005, respectively, for net deferred tax assets, which may not ultimately be realized.

LIQUIDITY AND CAPITAL RESOURCES.

For the fiscal year ended August 31, 2005, the Company's cash flow generated from operating activities was $3.5 million. This largely resulted from a decrease of $7.8 million in accounts receivable, net of allowance for uncollectible accounts receivable, a $2.2 million increase in contracts in process and a $1.4 million decrease in accounts payable. From investing activities, the Company incurred $0.2 million in additions to property, plant and equipment and a $0.6 million decrease in other assets consisting largely of debt financing costs, which were expensed prior to the scheduled amortization due to retirement of the related debt. The Company used net cash in financing activities of $3.6 million. The cash used in financing activities included the Company's May 17, 2005 new senior financing with gross proceeds of $9.2 million. The Company applied $4.3 million to retire its previous senior debt facility with Comerica Bank, $3.2 million to retire its subordinated debt with Hillstreet, and $0.5 million in fees to Laurus (new lender). The net remaining funds, $1.2 million, were utilized for general working capital purposes. Subsequent to this financing, the Company has borrowed $2.5 million under the Convertible Revolving Working Capital Credit Line to finance the increase in its contracts in process.

On May 17, 2005, the Company entered into a new senior loan facility agreement with Laurus as evidenced by the Agreements. Pursuant to these Agreements, the Company received a Term Loan in the aggregate principal amount of $3.2 million as well as a Revolving Credit Facility with a maximum availability of $10.0 million. Each of the Term Loan and any loans under the Revolving Facility shall be convertible by Laurus into shares of the Company's common stock at a rate of $1.66 per share. In addition, as part of the agreement, the Company issued an option to purchase 650,000 shares of its Common Stock at an exercise price of $.01.

The Company, in issuing an option for 650,000 shares at $.01 per share, triggered price protection provisions in previously issued warrants. Under the previous warrant agreements, if the Company issued warrants or options below the strike price of the warrants, the exercise price of the outstanding warrants would adjust to the lower exercise price. The Company had previous warrants for 315,792 shares of common stock with 157,896 shares priced at an exercise price of $5.07 per share and 157,896 priced at $5.53 per share. During 2005, certain warrant holders exercised such warrants at the adjusted price and the Company issued an additional 210,528 shares of common stock.

The Company believes that the revolving line of credit and the funds generated from operations, will be sufficient to cover anticipated cash needs through fiscal 2006. 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.

The table below presents our significant contractual obligations as of August 31, 2005:

	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Debt(1)	$12,755,555	$3,430,704	$ 9,324,851	$ --	$ --
Operating Lease	15,192,322	988,298	2,052,467	2,154,899	9,996,658
Deferred Compensation ...	42,160	42,160	--	--	--
Capital Lease	12,703	7,367	5,336	--	--
Total Obligations	$28,002,740	$4,468,529	$11,382,654	$2,154,899	$9,996,658

(1) Interest obligations on the outstanding debt facilities are generally variable in nature. The Company's fixed interest rate obligations apply to debt totaling $1,008,124.

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.

The following table provides information on the Company's debt as of August 31, 2005 and 2004 that are sensitive to changes in interest rates.

AS OF AUGUST 31, 2005	AMOUNT OUTSTANDING	MATURITY DATE
CONVERTIBLE REVOLVING NOTE:		
- Variable rate revolving credit line at an interest rate of prime rate plus 1.25% (as of August 31, 2005, an effective rate of 8.0%)..................................	$6,534,727	May 18, 2008
SECURED CONVERTIBLE TERM NOTE:		
- At an interest rate of prime plus 4.00% (as of August 31, 2005, an effective rate of 10.75%)....................	$3,200,000	May 18, 2008
OVERFORMULA:		
- At an interest rate of prime plus 1.25% (as of August 31, 2005, an effective rate of 8.0%)......................	$2,000,000	January 31, 2006

AS OF AUGUST 31, 2004	AMOUNT OUTSTANDING	MATURITY DAT

REVOLVING WORKING CAPITAL CREDIT LINE:		
- Variable rate revolving credit line at an interest rate of prime rate plus 4% (as of November 17, 2004, an effective rate of 9%)......................................	$9,849,532	Debt retired May 1
NOTE PAYABLE TO BANKS:		
- At an interest rate of prime plus 4.25% (as of November 17, 2004, an effective rate of 9.25%).............	$1,400,000	Debt retired May 1
- At an interest rate of prime plus 4.25% (as of November 17, 2004, an effective rate of 9.25%).............	$ 435,100	Debt retired May 1

ITEM 8. FINANCIAL STATEMENTS & SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying balance sheets of Riviera Tool Company (the "Company") as of August 31, 2005 and 2004, and the related statements of operations, common stockholders' equity and cash flows for each of the three years in the period ended August 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2005 and 2004, and the results of its operations and its cash flows for each of the three years in the period ended August 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that Riviera Tool Company will continue as a going concern. As discussed in Note 2 to the financial statements, at August 31, 2005, the Company has significant current debt, was not in compliance with certain terms of its debt agreements, and had losses from operations and a retained deficit that raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 2. The financial statements do not include

any adjustments that might result from the outcome of this uncertainty.

/s/ DELOITTE & TOUCHE LLP

Grand Rapids, Michigan
November 30, 2005

Riviera Tool Company
Balance Sheets

	NOTE	AUGU 2004
ASSETS		
Current Assets		
- Cash		$ 1,200
- Accounts receivable, net		13,075,285
- Costs in excess of billings on contracts in process	4	669,143
- Inventories	5	238,301
- Prepaid expenses and other current assets		235,203
Total current assets		14,219,132
- Property, plant and equipment, net	6	12,328,746
- Perishable tooling		726,704
- Other assets		623,635
Total assets		$ 27,898,217
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
- Current portion of long-term debt	7	$ 15,742,669
- Accounts payable		4,908,893
- Accrued liabilities		521,193
Total current liabilities		21,172,755
- Long-term and subordinated debt, net of unamortized discount	7	12,703
- Accrued lease expense	9	740,894
- Deferred compensation	10	166,474
- Deferred interest		25,500
Total liabilities		22,118,326
Preferred Stock		
- Preferred stock -- no par value, $100 mandatory redemption value: Authorized-5,000 shares, Issued and outstanding- no shares		--
- Preferred stock -- no par value, Authorized -- 200,000 shares Issued and outstanding -- no shares		--

Common stockholders' equity	
- Common stock -- no par value, Authorized -- 9,798,575 shares Issued and outstanding -- 3,774,346 shares at August 31, 2004 and 3,984,874 at August 31, 2005	16,426,378
- Retained deficit	(10,646,487)
Total common stockholders' equity	5,779,891
Total liabilities and stockholders' equity	$ 27,898,217

See Notes to Financial Statements

Riviera Tool Company
Statements of Operations

	YEAR ENDED AUGUST 31		
	2003	2004	2005
Sales	$34,084,111	$24,689,221	$19,273,505
Cost of sales	30,707,447	30,038,654	16,981,201
Gross profit (loss)	3,376,664	(5,349,433)	2,292,304
Selling and administrative expenses	1,689,192	2,013,594	2,790,586
Income (loss) from operations	1,687,472	(7,363,027)	(498,282
Other income (expense):			
- Interest expense	(779,074)	(871,900)	(1,643,299
- Other	(8,348)	(6,551)	(15,469
- Subordinated debt financing costs	--	--	(345,198
Total other expense, net	(787,422)	(878,451)	(2,003,966
Income (loss)-- before income tax benefit	900,050	(8,241,478)	(2,502,248
Income tax benefit	--	--	
Net income (loss) available for common shares	$ 900,050	$(8,241,478)	$(2,502,248
Basic and diluted earnings (loss) per common share	$ 0.27	$ (2.18)	$ (.65
Weighted-Average Basic and diluted common shares outstanding	3,379,609	3,774,346	3,835,750

See Notes to Financial Statements

Riviera Tool Company
Statements of Common Stockholders' Equity

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	RETAINED DEFICIT	TOTAL STOCKHOLDERS' EQUITY
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
- Sale of Common Stock	394,737	1,310,912	--	1,310,912
- Net loss	--	--	(8,241,478)	(8,241,478)
Balance -- August 31, 2004 ...	3,774,346	$16,426,378	$(10,646,487)	$ 5,779,891
- Sale of Common Stock	210,528	2,105	--	2,105
- Issuance of Options	--	702,000	--	702,000
- Net loss	--	--	(2,502,248)	(2,502,248)
Balance -- August 31, 2005 ...	3,984,874	$17,130,483	$(13,148,735)	$ 3,981,748

See Notes to Financial Statements

Riviera Tool Company
Statements of Cash Flows

	YEAR ENDED A 2003	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 900,050	$(8,241,
Adjustments to reconcile net income (loss) to net cash from operating activities:		
- Depreciation and amortization	1,839,801	1,757,
- Issuance of options	--	
Decrease (increase) in assets:		
- Accounts receivable	(4,110,964)	(6,065,
- Costs in excess of billings on contracts in process	(8,220,320)	11,539,
- Inventories	2,010	10,
- Perishable tooling	(69,116)	(108,
- Prepaid expenses and other current assets	(109,830)	58,
Increase (decrease) in liabilities:		
- Accounts payable	3,325,775	(111,
- Accrued outsourced contracts payable	5,903,930	(5,903,

- Accrued lease expense	(12,275)	100,
- Accrued liabilities	(35,045)	85,
- Deferred compensation	--	166,
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	(585,984)	(6,712,
CASH FLOWS FROM INVESTING ACTIVITIES		
- (Increase) decrease in other assets	(22,138)	(298,
- Purchases of property, plant and equipment	(414,211)	(1,040,
NET CASH USED IN INVESTING ACTIVITIES	(436,349)	(1,338,
CASH FLOWS FROM FINANCING ACTIVITIES		
- Proceeds from issuance of convertible term debt	--	
- Proceeds from issuance of convertible revolving note	--	
- Proceeds from overformula note	--	
- Debt issue costs	--	
- Net borrowings (repayments) on revolving credit line	(517,640)	3,867,
- Proceeds from issuance of long-term debt	--	435,
- Principal payments on long-term debt	(797,770)	(606,
- Proceeds from issuance of subordinated debt	--	3,000,
- Repayment of subordinated debt	--	
- Increase/ (decrease) of capital lease	--	20,
- Deferred interest	--	25,
- Proceeds from sale of common stock	--	1,310,
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	(1,315,410)	8,052,
NET INCREASE (DECREASE) IN CASH	(2,337,743)	1,
Cash -- beginning of year	2,337,743	
Cash -- end of year	$ --	$ 1,
Interest paid	$ 788,496	$ 481,

See Notes to Financial Statements

RIVIERA TOOL COMPANY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 -- NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS.

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

USE OF ESTIMATES.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported

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

SIGNIFICANT ESTIMATES.

The most significant estimates made by the Company are in the determination and recognition of revenue on contracts in process. Management's best estimates of costs to complete are based on costs incurred, engineers' cost projections, experience with customers or particular die systems and other analyses. Although management's estimates are not expected to materially change in the near term, the costs the 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, 2004 and 2005, the Company had a $0 and $153,124 reserve for estimated uncollectible accounts receivable, and had $162,795 and $84,365 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:

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

PROPERTY, PLANT AND EQUIPMENT - CONTINUED

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

Expenditures for maintenance and repairs are charged to expense as incurred. The Company capitalizes interest cost associated with construction in process. There was no capitalized interest in 2003, 2004 and 2005.

IMPAIRMENT OF LONG-LIVED ASSETS.

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

PERISHABLE TOOLING.

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

INCOME TAXES.

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

EARNINGS PER SHARE.

Basic earnings per share ("EPS) excludes dilution and is computed by dividing earnings/(loss) available to common stockholders by the weighted-average common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised. Diluted EPS is computed by increasing the weighted average number of shares outstanding by the dilutive effect, if any, of the issuance of common stock for options outstanding under the 1996 Incentive Employee Stock Option Plan, as amended, 1998 Key Employee Stock Option Plan, convertible debt and the

other non-employee options. Weighted average shares issuable upon the exercise of stock options that were not included in the (loss) earnings per share calculations were 650,000 in the period ended August 31, 2005.

STOCK-BASED COMPENSATION.

The Company has adopted Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-based Compensation," and as permitted by this standard, will continue to apply the recognition and measurement principles prescribed under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", to its stock-based compensation (see Note 10). No stock-based compensation cost is

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

STOCK-BASED COMPENSATION - CONTINUED.

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, 2003, 2004 and 2005.

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 December, 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123 (R), "Share-Based Payments" that will require compensation costs related to share-based payment transactions to be recognized in the financial statements. With limited exceptions, the amount of compensation cost will be measured based on the grant date fair value of the equity or liability instruments issued. In addition, liability awards will be re-measured each reporting period. Compensation costs will be recognized over the period that an employee provides services in exchange for the award. SFAS No. 123 (R) replaces SFAS No. 123, "Accounting for Stock-Based Compensation", and supercedes Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations. SFAS No. 123 (R) becomes effective at the beginning of our fiscal year ending August 31, 2006. We expect that the impact of adopting SFAS No. 123 (R) will not be material.

NOTE 2 -- BASIS OF PRESENTATION

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. During 2005, the Company sustained a loss from operations of $498,282 and a net loss of $2,502,248. This loss resulted in an accumulated deficit of $13,148,735 as of August 31, 2005. These factors, among other things, raise substantial doubt about the Company's ability

to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company believes that the revolving line of credit and the funds generated from operations, will be sufficient to cover anticipated cash needs through fiscal 2006. However, depending on Company's primary lenders' willingness to extend the due date of the overadvance facility as well as the level of future sales, terms of such sales, financial performance and cash flow of existing contracts such financing may not be sufficient to support operations. Therefore, the Company may be required to seek additional sources of funding.

NOTE 3 -- SALES TO MAJOR CUSTOMERS

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

RIVIERA TOOL COMPANY
NOTES TO FINANCIAL STATEMENTS

NOTE 3 -- SALES TO MAJOR CUSTOMERS - CONTINUED

	AUGUST 31					
CUSTOMER	2003	%	2004	%	2005	%
- General Motors	$ 450	1%	$ 938	4%	$ 3,425	18%
- L+W Engineering	--	--	--	--	2,429	13%
- DaimlerChrysler AG ..	1,925	6%	209	1%	1,372	7%
- Oxford Automotive ...	19,152	56%	18,640	75%	1,022	5%
- Others	12,557	37%	4,902	20%	11,026	57%
Total Sales	$34,084	100%	$24,689	100%	$19,274	100%

Outstanding account receivables from three of these customers represented approximately 90 percent and 60 percent at August 31, 2004 and 2005 of the total accounts receivable, respectively.

During the year ended August 31, 2005, Gestamp Alabama ("Gestamp"), the alleged successor to Oxford Automotive, Inc. ("Oxford") and Mercedes-Benz U.S. International, Inc. ("MBUSI") brought a civil action against the Company. On August 1, 2005, the Company reached a Settlement Agreement and Mutual Release with Gestamp and MBUSI. Under such settlement, Gestamp and MBUSI paid certain claims against the Company by its' subcontactors and the Company has agreed to provide certain services to Gestamp and MBUSI over the next three years. The value of such services total $1.8 million which was accrued and expensed in fiscal 2004 and is recorded as a liability of the Company on its August 31, 2005 balance sheet.

NOTE 4 -- COSTS AND BILLINGS ON CONTRACTS IN PROCESS

Costs and billings on contracts in process are as follows:

	AUGUST 31	
	2004	2005
- Costs incurred on contracts in process under the percentage-of-completion method	$22,265,744	$7,042,817
- Estimated net gross loss	(4,250,000)	(25,000)
Total	18,015,744	7,017,817
- Less progress payments received and billings to date	17,586,991	4,173,373
- Plus costs incurred on contracts in process under the completed contract method	240,390	--
Costs in excess of billings on contracts in process	$ 669,143	$2,844,444

Included in estimated gross loss for 2004 and 2005 are contracts with estimated losses accrued of $5,190,491 and $190,430, respectively.

NOTE 5 -- INVENTORIES

Inventories consist of the following:

	AUGUST 31	
	2004	2005
- Raw material stock	$140,513	$122,933
- Small tools and supplies	97,788	113,504
Total	$238,301	$236,437

NOTE 6 -- PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

AUGUST 31

	2004	2005
- Leasehold improvements	$ 1,367,908	$ 1,489,302
- Office furniture and fixtures	169,129	174,524
- Machinery and equipment	23,080,863	23,135,344
- Computer equipment and software	2,788,489	2,854,788
- Transportation equipment	109,782	109,782
Total cost	27,516,171	27,763,740
- Accumulated depreciation and amortization ..	15,187,425	16,860,895
Property, plant and equipment, net	$12,328,746	$10,902,845
- Depreciation & amortization expense	$ 1,757,862	$ 1,673,470

NOTE 7 -- LONG-TERM AND SUBORDINATED DEBT

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

DEBT TYPE	AUGUST 31, 2004	AUGUST 31, 2005
CONVERTIBLE REVOLVING NOTE - The convertible 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 credit line is due May 17, 2008, and bears interest, payable monthly, at 1.25% above prime rate (as of August 31, 2005, an effective rate of 8.0%)...	$ --	$6,534,727
OVERFORMULA - The overadvance loan is due January 31, 2006 and bears interest at prime rate plus 1.25% (as of August 31, 2005, an effective rate of 8.0%)...........	--	2,000,000
REVOLVING WORKING CAPITAL CREDIT LINE - The credit line was repaid on May 17, 2005..........	9,849,532	--
SECURED CONVERTIBLE TERM NOTE - The convertible term note, payable in monthly installments of $96,969.70 commencing September 1, 2005, plus interest at prime rate plus 4%, (as of August 31, 2005, an effective rate of 10.75%) commencing June 1, 2005, due May 17, 2008.............	--	3,200,000
NOTES PAYABLE TO BANK - Note payable to bank repaid on May 17, 2005.........	1,835,100	--

RIVIERA TOOL COMPANY
NOTES TO FINANCIAL STATEMENTS

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

DEBT TYPE	AUGUST 31, 2004	20
- Subordinated note payable to bank, payable in monthly installments of $31,000, including interest at 11%, due January 1, 2008	1,050,670	1,00
SUBORDINATED DEBT		
- Subordinated note payable repaid on May 17, 2005	3,000,000	
OTHER		
- Other	20,070	1
Total debt	12,755,555	15,75
Less: long-term portion of unamortized debt discount	--	59
Less: current portion of long-term debt and unamortized debt discount	15,742,669	3,28
Long-term debt, net of unamortized discount	$ 12,703	$ 8,87

On May 17, 2005, the Company executed a new senior loan facility agreement with Laurus Master Fund LTD. ("Laurus"). Under such financing, the Company entered into a Securities Purchase Agreement and a Security Agreement (collectively, the "Agreements"). Pursuant to these agreements, the Company received a Secured Convertible Term Loan (the "Term Loan") in the aggregate principal amount of $3.2 million as well as a Revolving Credit Note (the "Revolving Facility") with a maximum availability of $10.0 million. The Agreement is subject to certain restrictions and various covenants, including a borrowing base formula of ninety percent of eligible accounts receivable and fifty percent of the lesser of work-in-process inventory or $5 million. The Term Loan monthly installments may be paid in Company common stock if the average closing price of the Company's common stock for five trading days prior to due date is greater or equal to 115% of the fixed conversion price ($1.66) and the amount of such conversion does not exceed 25% of the aggregate trading dollar volume of the Company's common stock for the period of 22 trading days immediately preceding such amortization date. The Revolving Facility shall be convertible by Laurus into shares of the Company's common stock at a rate of $1.66 per share. In addition, the Company issued an option to purchase 650,000 shares of its Common Stock at an exercise price of $.01.

Laurus has agreed that it shall not convert either the Term Loan or any loans under the Revolving Facility into shares of the Company's Common Stock in amounts that would cause it to obtain an aggregate beneficial ownership of the Company's Common Stock exceeding 4.99% at any given time (or 19.99% in the event such limitation is suspended upon the occurrence of an "event of default" under any of the Agreements or any other transaction agreements). The Company and Laurus agreed to customary terms and conditions including, but not limited to, the filing of a registration statement within 60 days from the date of the

Agreements of shares of the Company's Common Stock issuable (i) upon exercise of the Option, (ii) upon conversion of the Term Loan, and (iii) upon conversion of up to $2.0 million under the Revolving Facility. The Company has an obligation to register an additional $2.0 million under the Revolving Facility upon issuance by the Company of an additional note evidencing such indebtedness.

The Company used the proceeds from the Term Loan, Revolving Facility and Overformula to extinguish, in full, its indebtedness owed to Comerica Bank, its former secured lender, and The HillStreet Fund II, L.P., its subordinated secured lender, as well as for general working capital purposes. In connection with the transactions described herein, Laurus received fees and was reimbursed by the Company for its expenses in the aggregate amount of $510,200.

The Company, in issuing an option for 650,000 shares at $.01 per share, triggered price protection in relationship to previously issued warrants. Under the previous warrant agreements, if the Company issued warrants or options

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

below the strike price, the exercise price of the outstanding warrants would adjust to the lower exercise price. The Company had previous warrants for 315,792 shares of common stock with 157,896 shares priced at an exercise price of $5.07 per share and 157,896 priced at $5.53 per share. Of these warrants, 210,528 shares were exercised during 2005.

Effective November 10, 2005, the company received a waiver of noncompliance with Section 3 of its security agreement with its lender such that the overadvance loan shall not trigger an event of default and extending the overadvance loan through January 31, 2006.

Minimum scheduled principal payments on long-term debt to maturity as of August 31, 2005, are as follows:

FISCAL YEAR ENDED AUGUST 31,	AMOUNT
- 2006	$ 3,430,704
- 2007	1,445,612
- 2008	7,713,710
- 2009	165,529
- 2010	--
Total	$12,755,555

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

NOTE 8 -- FEDERAL INCOME TAXES

The provision for federal income taxes is as follows:

	AUGUST 31		
	2003	2004	2005
- Current expense	$--	$--	$--
- Deferred expense (benefit)	--	--	--
Income tax expense (benefit) ...	$--	$--	$--

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

	AUGUST 31		
	2003	2004	2005
- Federal statutory tax rate	34%	(34%)	(34%)
- Effect of valuation allowance ...	(36%)	34%	34%
- Other items	2%	--	--
Effective tax rate	--	--	--

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

	AUGUST 31	
	2004	2005
Deferred tax liabilities:		
- Depreciation	$(3,323,376)	$(3,287,537)
Deferred tax assets:		
- Alternative minimum tax credit carryforward	160,978	164,288
- Accrued lease expense	251,904	305,281
- Deferred compensation and other items	136,255	128,867
- Net operating loss carryforward	6,510,818	7,303,721
Total deferred tax assets	7,059,955	7,902,157
- Valuation allowance recognized for deferred tax assets ...	(3,736,579)	(4,614,620)
Net deferred tax liability	$ --	$ --

The net operating loss carryforward arising in fiscal 2002, 2004 and 2005 will expire, if unused, in fiscal 2022, 2024 and 2025, respectively.

RIVIERA TOOL COMPANY
NOTES TO FINANCIAL STATEMENTS

NOTE 9 -- OPERATING LEASES

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

Generally accepted accounting principles require that rent expense related to this type of lease be recognized ratably over the term of the lease. The difference between the rent payments made and the amount of expense recognized has been recorded as accrued lease expense (a liability). For the year ended August 31, 2003, the cash payments made exceeded the lease expense by $35,045. For the years ended August 31, 2004 and 2005, the lease expense exceeded the cash payments by $100,204 and $156,990, respectively. 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, 2003, 2004 and 2005 amounted to $1,120,250, $1,098,955, and $1,155,522, 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, 2005.

YEAR ENDED AUGUST 31,	LEASE PAYMENTS
- 2006	$ 988,298
- 2007	1,013,135
- 2008	1,039,332
- 2009	1,064,351
- 2010	1,090,548
- 2011 and after	9,996,658
Total minimum payments required ...	$15,192,322

NOTE 10-- RETIREMENT PLANS

The Company has a profit-sharing plan that covers substantially all employees. The plan includes a 401(k) deferred-compensation option. The plan, as established, allows for discretionary contributions as determined annually by the Company's Board of Directors. No discretionary contribution was made for the years-ended August 31, 2003, 2004, and 2005. 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 has an Executive Deferred Compensation Plan with an officer who retired December 31, 2004. Under the plan, upon the earlier of death or termination of executive's employment with the Company on or after attainment of age 65, the Company shall pay to the executive, his heirs and assignees a retirement benefit equal to $50,000 per year for five years. The retirement benefit will commence on the first day of the second month following the death or termination of his employment with the Company on or after attainment of age 65. The retirement benefit shall continue with four additional payments of $50,000 each. Death of the executive after the commencement of payments shall not reduce or eliminate subsequent payments due. At the time of retirement, the Company had a key-man life insurance policy for $250,000 on such executive. During fiscal 2005, the Company transferred such policy to the retired individual based upon a value of $100,000. In addition, the Company paid $107,840 during fiscal 2005 to such retiree and is scheduled to retire the remaining liability of $42,160 in fiscal 2006.

NOTE 11 -- STOCK OPTION PLANS

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

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

OPTION PLAN	SHARES	WEIGHTED AVERAGE EXERCISE PRICE

	Shares	Price
1996 STOCK OPTION PLAN, AS AMENDED		
Outstanding at end of year, August 31, 2002 ...	110,000	$ 4.83
Fiscal Year Ended August 31, 2003		
- Stock options granted	--	--
Outstanding at end of year, August 31, 2003 ...	110,000	$ 4.83
Fiscal Year Ended August 31, 2004		
- Stock options granted	--	--
Outstanding at end of year, August 31, 2004	110,000	$ 4.83
Fiscal Year Ended August 31, 2005		
- Stock options forfeited	(10,000)	$6.625
- Stock options forfeited	(20,000)	$ 3.75
Outstanding at end of year, August 31, 2005 ...	80,000	$ 4.83
1998 KEY EMPLOYEE STOCK OPTION PLAN		
Outstanding at end of year, August 31, 2002 ...	107,000	$ 5.20
Fiscal Year Ended August 31, 2003		
- Stock options forfeited	(2,000)	$ 3.75
- Stock options forfeited	(2,000)	$6.625
Outstanding at end of year, August 31, 2003 ...	103,000	$ 5.20
Fiscal Year Ended August 31, 2004		
- Stock options granted	--	--
Outstanding at end of year, August 31, 2004 ...	103,000	$ 5.20
Fiscal Year Ended August 31, 2005		
- Stock options forfeited	(1,000)	$ 3.75
- Stock options forfeited	(1,000)	$6.625
Outstanding at end of year, August 31, 2005 ...	101,000	$ 5.20

NOTE 12 -- WARRANTS AND OPTION

On March 16, 2004, the Company sold 394,737 shares of common stock in a private placement with four accredited investors for $1,500,000. In connection with this purchase, the Company issued Series A Warrants for eighty percent warrant coverage of the initial shares purchased (315,792 shares) with half of such warrants having an exercisable price of 110% of the average of the 20 consecutive Closing Prices immediately prior to the March 16, 2004 (exercise price of $5.07 per share) and the other half with an exercise price of 120% of the average of the 20 consecutive Closing Prices immediately prior to the March 16, 2004 (exercise price of $5.53 per share). Such Series A Warrants are

exercisable for five years commencing six months from the Closing date. In addition, the Company issued Series A Warrants to purchase up to 20,000 shares of common stock at the same price to the broker of the transaction.

Inc conjunction with the May 17, 2005 senior loan facility agreement, the Company issued options to purchase 650,000 shares at $.01 per share. The issuance of the 650,000 share option triggered a price protection clause related to the above issued warrants. Such price protection was to expire in September of 2005.Under the warrant agreements, if the Company issued warrants or options below the strike price ($5.07 and $5.53), the exercise price of the outstanding warrants would adjust to the lower exercise price. Of these warrants, 210,528 shares were exercised during 2005.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

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

Changes in Internal Control Over Financial Reporting: There were no changes in the Company's internal control over financial reporting during the Company's fourth fiscal quarter ended August 31, 2005, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company is not currently an accelerated filer and is not currently subject to the internal control reporting requirements under Section 404 of the Sarbanes-Oxley Act until its next fiscal year, which will end on August 31, 2007. The Company has begun documentation of processes for its internal controls and will comply with Section 404 as required.

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 2005 Annual Meeting of Stockholders to be held January 11, 2006 (the "2005 Proxy Statement") and such information is incorporated herein by reference.

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 2005 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 2005 Proxy Statement and such information is incorporated herein by reference.

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 2005 Proxy Statement and such information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information with respect to Principal Accountant Fees and Services is contained under the captions "Independent Public Accountants" in the Company's 2005 Proxy Statement and such information is incorporated herein by reference.

PART IV

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

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

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

2. Exhibits

10(ii): First Amendment to Loan documents dated November 28, 2005 between Registrant and Fifth Third Bank.

10(jj): Omnibus Amendment dated October 14, 2005 between Registrant and Laurus Master Fund Ltd.

21 Subsidiaries - None

23 Consent of Deloitte Touche LLP

31.1 Written Statement of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 Sec. 302

31.2 Written Statement of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 Sec. 302

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

(b) Reports on Form 8-K

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: November 30, 2005 RIVIERA TOOL COMPANY

By: /s/ Kenneth K. Rieth
Kenneth K. Rieth,
Chief Executive Officer

and

By: /s/ Peter C. Canepa
Peter C. Canepa,
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on the 30th day of November, 2005, by the following persons on behalf of the Company and in the capacities indicated.

/s/ Jay S. Baron	/s/ Kenneth K. Rieth
Jay S. Baron, Director	Kenneth K. Rieth, C.E.O, Director
/s/ James V. Gillette	
James V. Gillette, Director	

Exhibit Index

Exhibit No.	Description
10(ii):	First Amendment to Loan documents dated November 28, 2005 between Registrant and Fifth Third Bank.
10(jj):	Omnibus Amendment dated October 14, 2005 between Registrant and Laurus Master Fund Ltd.

23	Consent of Deloitte Touche LLP
31.1	Written Statement of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 Sec. 302
31.2	Written Statement of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 Sec. 302
32	Written Statements of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 Sec. 906