

Edgar Filing: RIVIERA TOOL CO - Form 10-Q

RIVIERA TOOL CO  
Form 10-Q  
April 14, 2003

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended February 28, 2003

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file no. 001-12673

RIVIERA TOOL COMPANY

-----  
(Exact name of registrant as specified in its charter)

Michigan

38-2828870

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

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

5460 Executive Parkway S.E., Grand Rapids, Michigan 49512

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

(616) 698-2100

-----  
(Registrant's telephone number, including area code)

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

Yes  No

There were 3,379,609 shares of the Registrant's common stock outstanding as April 14, 2003.

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10(cc) Revolving Credit Loan Agreement, including Revolving  
Credit Note and Term Note between Registrant and  
Comerica Bank, dated December 23, 2002.

10(dd) Subordinated Loan Agreement and Note between  
Registrant and Fifth Third Bank, f/k/a Old Kent Bank,  
dated December 23, 2002.

RIVIERA TOOL COMPANY  
FINANCIAL STATEMENTS

BALANCE SHEETS

FEBRUARY 28,  
2003

NOTE (UNAUDITED)

CURRENT ASSETS ASSETS

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|   |   |    |             |
|---|---|----|-------------|
| Cash .....  |   | \$ | --          |
| Accounts receivable .....   |   |    | 9,719,006   |
| Costs in excess of billings on contracts in process .....         | 2 |    | 1,444,959   |
| Inventories .....   |   |    | 250,569     |
| Prepaid expenses and other current assets .....                   |   |    | 377,531     |
|   |   |    | -----       |
| Total current assets .....  |   |    | 11,792,065  |
| PROPERTY, PLANT AND EQUIPMENT, NET .....                          | 3 |    | 13,611,261  |
| PERISHABLE TOOLING .....  |   |    | 582,251     |
| OTHER ASSETS .....  |   |    | 325,198     |
|   |   |    | -----       |
| Total assets .....  |   | \$ | 26,310,775  |
|   |   |    | =====       |
| LIABILITIES AND STOCKHOLDERS' EQUITY                              |   |    |             |
| CURRENT LIABILITIES   |   |    |             |
| Current portion of long-term debt .....                           | 4 | \$ | 226,720     |
| Notes payable .....   | 4 |    | 7,593,937   |
| Accounts payable .....  |   |    | 4,271,608   |
| Accrued liabilities .....   |   |    | 532,896     |
|   |   |    | -----       |
| Total current liabilities .....                                   |   |    | 12,625,161  |
| LONG-TERM DEBT .....  | 4 |    | 1,174,561   |
| ACCRUED LEASE EXPENSE .....                                       |   |    | 658,212     |
|   |   |    | -----       |
| Total liabilities .....   |   |    | 14,457,934  |
|   |   |    | -----       |
| PREFERRED STOCK - no par value, \$100 mandatory redemption value: |   |    |             |
| Authorized - 5,000 shares   |   |    |             |
| Issued and outstanding - no shares .....                          |   |    | --          |
| STOCKHOLDERS' EQUITY:   |   |    |             |
| Preferred stock - no par value,                                   |   |    |             |
| Authorized - 200,000 shares                                       |   |    |             |
| Issued and outstanding - no shares .....                          |   |    | --          |
| Common stock - No par value:                                      |   |    |             |
| Authorized - 9,785,575 shares .....                               | 1 |    |             |
| Issued and outstanding - 3,379,609 shares                         |   |    |             |
| at February 28, 2003 and August 31, 2002 .....                    |   |    | 15,115,466  |
| Retained deficit .....  | 1 |    | (3,262,625) |
|   |   |    | -----       |
| Total stockholders' equity .....                                  |   |    | 11,852,841  |
|   |   |    | -----       |
| Total liabilities and stockholders' equity .....                  |   | \$ | 26,310,775  |
|   |   |    | =====       |

See notes to financial statements

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|   | FOR THE THREE MONTHS<br>ENDED |              | FOR THE      |
|---|-------------------------------|--------------|--------------|
|   | FEBRUARY 28,                  |              |              |
|   | 2003                          | 2002         | 2003         |
| SALES .....   | \$ 8,304,121                  | \$ 3,452,082 | \$12,642,723 |
| COST OF SALES .....                                       | 7,434,664                     | 3,593,381    | 11,479,929   |
| GROSS PROFIT (LOSS) .....                                 | 869,457                       | (141,299)    | 1,162,794    |
| SELLING, GENERAL AND<br>ADMINISTRATIVE EXPENSES .....     | 416,712                       | 377,939      | 738,605      |
| INCOME/(LOSS) FROM OPERATIONS ....                        | 452,745                       | (519,238)    | 424,189      |
| OTHER EXPENSE   |                               |              |              |
| INTEREST EXPENSE .....                                    | 141,534                       | 156,711      | 298,985      |
| OTHER EXPENSE .....                                       | 79,863                        | 12,041       | 82,770       |
| TOTAL OTHER EXPENSE .....                                 | 221,397                       | 168,752      | 381,755      |
| INCOME/(LOSS) BEFORE INCOME TAX .....                     | 231,348                       | (687,990)    | 42,434       |
| INCOME TAXES .....  | --                            | --           | --           |
| NET INCOME/(LOSS) AVAILABLE FOR<br>COMMON SHARES .....    | \$ 231,348                    | \$ (687,990) | \$ 42,434    |
| BASIC AND DILUTED INCOME/(LOSS)<br>PER COMMON SHARE ..... | \$ .07                        | \$ (.20)     | \$ .01       |
| BASIC AND DILUTED<br>COMMON SHARES OUTSTANDING .....      | 3,379,609                     | 3,379,609    | 3,379,609    |

See notes to financial statements

RIVIERA TOOL COMPANY  
STATEMENT OF CASH FLOWS  
(UNAUDITED)

FOR THE THREE MONTHS  
ENDED

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|  | 2003           | 2002         |
|--|----------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES   |                |              |
| Net income/(loss) .....  | \$ 231,348     | \$ (687,990) |
| Adjustments to reconcile net income/(loss) to net cash from operating activities:            |                |              |
| Depreciation and amortization .....  | 460,482        | 477,441      |
| (Increase) decrease in assets:   |                |              |
| Accounts receivable .....  | (1,915,394)    | (1,026,388)  |
| Costs in excess of billings on contracts in process ....                                     | (106,658)      | 618,911      |
| Perishable tooling .....   | (33,796)       | 12,122       |
| Prepaid expenses and other current assets .....  | (204,158)      | (2,218)      |
| Increase (decrease) in liabilities:  |                |              |
| Accounts payable .....   | 2,693,668      | 200,433      |
| Accrued lease expense .....  | (8,762)        | (4,090)      |
| Accrued liabilities .....  | (32,818)       | 69,815       |
| Net cash provided by/(used in) operating activities .....                                    | \$ 1,083,912   | \$ (341,964) |
| CASH FLOWS FROM INVESTING ACTIVITIES   |                |              |
| Increase in other assets .....   | --             | (42,290)     |
| Additions to property, plant and equipment .....   | (58,122)       | (23,821)     |
| Net cash used in investing activities .....  | \$ (58,122)    | \$ (66,111)  |
| CASH FLOWS FROM FINANCING ACTIVITIES   |                |              |
| Net borrowings (repayments) on revolving credit line .....                                   | (872,730)      | 987,000      |
| Issuance of debt .....   | 3,367,948      | --           |
| Principal payments on notes payable to bank and non-revolving equipment line of credit ..... | (3,521,008)    | (431,991)    |
| Net cash provided by/(used in) financing activities .....                                    | \$ (1,025,790) | 555,009      |
| NET INCREASE/(DECREASE) IN CASH .....  | \$ --          | 146,934      |
| CASH - Beginning of Period .....   | --             | --           |
| CASH - End of Period .....   | \$ --          | 146,934      |

See notes to financial statements

RIVIERA TOOL COMPANY  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2003

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited interim financial statements (the "Financial Statements") of Riviera Tool Company (the "Company") have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange

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Commission. Accordingly, the Financial Statements do not include all the information and footnotes normally included in the annual financial statements prepared in accordance with generally accepted accounting principles.

In the opinion of management, the Financial Statements reflect all adjustments (consisting only of normal recurring adjustments) necessary to present fairly such information in accordance with generally accepted accounting principles. These Financial Statements should be read in conjunction with the financial statements and footnotes thereto included in the Company's Form 10-K dated December 17, 2002, as amended, for the fiscal year ended August 31, 2002.

The results of operations for the three and six month periods ended February 28, 2003 are not indicative of the results to be expected for the full year.

### NOTE 2 - COSTS AND BILLINGS ON CONTRACTS IN PROCESS

Costs and billings on contracts in process are as follows:

|  | FEBRUARY 28,<br>2003 | AUG<br>2002   |
|--|----------------------|---------------|
|  | -----                | -----         |
| Costs incurred on contracts in process under the percentage of completion method ..... | \$ 15,825,306        | \$ 11,334,000 |
| Estimated gross profit/(loss) .....  | 473,000              | 1,334         |
|  | -----                | -----         |
| Total .....  | 16,298,306           | 10,668,000    |
| Less progress payments received and progress billings to date .....                    | 14,854,681           | 6,334,000     |
| Plus costs incurred on contracts in process under the completed contract method .....  | 1,334                | 1,334         |
|  | -----                | -----         |
| Costs in excess of billings on contracts in process .....                              | \$ 1,444,959         | \$ 3,334,000  |
|  | =====                | =====         |

Included in estimated gross profit for February 28, 2003 and estimated gross loss for August 31, 2002 are jobs with losses accrued of \$585,376 and \$973,985, respectively.

### NOTE 3 - PROPERTY, PLANT AND EQUIPMENT, NET

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

|   | FEBRUARY 28,<br>2003 | AUGUST 31,<br>2002 |
|---|----------------------|--------------------|
|   | -----                | -----              |
| Land and leasehold improvements .....         | \$ 1,367,908         | \$ 1,367,908       |
| Office furniture and fixtures .....           | 164,429              | 157,868            |
| Machinery and equipment .....                 | 22,353,883           | 22,353,184         |
| Construction in Process .....                 | 9,153                | 1,399              |
| Computer equipment and software .....         | 2,164,695            | 2,119,363          |
| Transportation equipment .....                | 61,919               | 61,919             |
|   | -----                | -----              |
| Total cost .....                              | 26,121,987           | 26,061,641         |
| Accumulated depreciation and amortization ... | 12,510,726           | 11,589,762         |
|   | -----                | -----              |
| Net carrying amount .....                     | \$13,611,261         | \$14,471,879       |

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RIVIERA TOOL COMPANY  
 NOTES TO FINANCIAL STATEMENTS  
 FEBRUARY 28, 2003

NOTE 4 - DEBT

On December 23, 2003, the Company refinanced its outstanding debt. Under such refinancing, the Company obtained a \$7.5 million Revolving Line of Credit and a \$2.0 million Term Loan, each expiring December 1, 2003. The unpaid balance of approximately \$1.4 million with the Company's former lender was converted into a five-year subordinated note. The Company's current indebtedness, which is subject to certain covenants discussed below, consists of the following:

REVOLVING WORKING CAPITAL CREDIT LINE

The revolving working capital credit line is collateralized by substantially all assets of the Company and provided for borrowing, subject to certain collateral requirements up to \$7.5 million. The agreement requires a commitment fee of .25% per annum on the average daily unused portion of the revolving credit line. The credit line is due December 1, 2003, and bears interest, payable monthly, at 1.0% above the bank's prime rate (as of February 28, 2003, an effective rate of 5.25%) .....

FEBRU  
 2  
 -----

\$ 5,6

The credit line was paid and terminated on December 23, 2002 .....

NOTES PAYABLE TO BANKS

Note payable to bank, payable in monthly installments of \$33,334, plus interest at the bank's prime rate plus 1.25% (as of February 28, 2003, an effective rate of 5.50%), due December 1, 2003 .....

1,9

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

1,4

Note payable to bank, paid on December 23, 2002 .....

Note payable to bank, paid on December 23, 2002 .....

NON-REVOLVING EQUIPMENT LINE OF CREDIT

\$3,271,000 equipment line of credit, paid on December 23, 2002 .....

Total debt .....

8,9

Less current portion of long-term debt .....

2

Less notes payable .....

7,5

Long-term debt -- Net .....

\$ 1,1

=====

RIVIERA TOOL COMPANY  
 NOTES TO FINANCIAL STATEMENTS  
 FEBRUARY 28, 2003

NOTE 4 - DEBT - CONTINUED

Under the loan agreement, the Company is required to maintain certain levels of Tangible Net Worth, Debt to Tangible Net Worth and Debt Service Coverage. At February 28, 2003, the Company was in compliance with these covenants.

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

RESULTS OF OPERATIONS

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

|   | For The Three Months Ended |         | For The Six Months Ended |
|---|----------------------------|---------|--------------------------|
|   | February 28,               |         |                          |
|   | 2003                       | 2002    | 2003                     |
| SALES .....                                     | 100.0%                     | 100.0%  | 100.0%                   |
| COST OF SALES .....                             | 89.5%                      | 104.1%  | 90.8%                    |
|   | -----                      | -----   | -----                    |
| GROSS PROFIT / (LOSS) .....                     | 10.5%                      | (4.1%)  | 9.2%                     |
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSE ... | 5.0%                       | 10.9%   | 5.8%                     |
|   | -----                      | -----   | -----                    |
| INCOME/(LOSS) FROM OPERATIONS ...               | 5.5%                       | (15.0%) | 3.4%                     |
| INTEREST EXPENSE .....                          | 1.7%                       | 4.5%    | 2.4%                     |
| OTHER EXPENSE .....                             | 1.0%                       | 0.4%    | 0.7%                     |
|   | -----                      | -----   | -----                    |
| TOTAL INTEREST/OTHER EXPENSE .....              | 2.7%                       | 4.9%    | 3.1%                     |
| INCOME/(LOSS) BEFORE INCOME TAXES .....         | 2.8%                       | (19.9%) | 0.3%                     |
| INCOME TAXES .....                              | --                         | --      | --                       |
|   | -----                      | -----   | -----                    |
| NET INCOME/(LOSS) .....                         | 2.8%                       | (19.9%) | 0.3%                     |
|   | =====                      | =====   | =====                    |

FORWARD-LOOKING STATEMENT; RISKS AND UNCERTAINTIES

CERTAIN INFORMATION INCLUDED IN THIS QUARTERLY REPORT ON FORM 10-Q AND OTHER



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

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

COMPARISON OF THE THREE MONTHS ENDED FEBRUARY 28, 2003 TO THE THREE MONTHS ENDED FEBRUARY 28, 2002.

REVENUES - Revenues for the three months ended February 28, 2003 totaled \$8.3 million as compared to \$3.5 million for the three months ended February 28, 2002, an increase of \$4.8 million or 137%. The revenue increase is a direct result of the Company being awarded additional contracts during the latter part of fiscal year ended August 31, 2002. These additional contracts resulted in the Company incurring approximately 75,000 shop floor hours during the second quarter of 2003, as compared to 40,500 during the same period of 2002, an increase of 34,500 hours or 85%.

As of February 28, 2003, the Company had approximately \$32.7 million in contract backlogs. This compares to approximately \$6.1 million as of February 28, 2002, an increase of \$26.6 million or 436%. This backlog, in shop floor hours, increased from 111,152 as of February 28, 2002 to 299,079 as of February 28, 2003, an increase of 169%. The Company was awarded additional contracts in excess of \$16.0 million during the second quarter of 2003, as compared to \$4.1 million in the same quarter last year.

COST OF SALES - Cost of sales was \$7.4 million or 89.5% of sales for the three months ended February 28, 2003 as compared to \$3.6 million or 104.1% of sales for the three months ended February 28, 2002. The increase in gross margin was largely due to the increase in revenue combined with the Company maintaining manufacturing overhead expense at levels consistent with that of the previous comparable quarter.

Direct costs increased from \$1.8 million for the three months ended February 28, 2002 to \$5.1 million for the three months ended February 28, 2003, as a percent of sales it increased from 51.1% to 62.0%. Direct labor expense was \$0.8 million in 2002 as compared to \$1.4 million in 2003 however, as a percent of sales, direct labor expense decreased from 24.5% to 17.2%. While direct labor expense increased by \$580,000 or 69%, actual shop floor hours increased from 40,500 to 75,000. The increase in shop floor hours was a direct result of higher contract levels for the three months ended February 28, 2003. Other direct cost increases

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included \$860,000 in direct material expense and \$2,100,000 in outside service expenses. As a percent of sales, these other direct expenses represented 44.8% for the three months ended February 28, 2003 as compared to 26.6% for the three months ended February 28, 2002. These increases were largely due to the increased volumes and related outsourcing contracts. The Company, as a result of its increased backlog, is outsourcing certain stamping die construction to other die manufacturers. As a result, the Company has recorded approximately \$1.6 million of expense during the first six months of 2003 related to the outsourcing die construction. The remaining outside services expense increases included approximately \$195,000 in patterns and \$116,000 in other outside services. These increases were a result of the increase in awarded contracts to the Company.

Engineering expense increased from \$323,000 for the three months ended February 28, 2002 to \$584,000 for the three months ended February 28, 2003 however, as a percent of sales, engineering expense decreased from 9.3% to 7.0%. This increase was a result of the higher contract backlog in the second quarter ended February 28, 2003 as compared to the previous comparable quarter. The Company during this quarter increased its engineering staff in order to process the additional awarded contracts.

Manufacturing overhead expense during the second quarter of 2003 increased by \$191,000 over the same period last year, however due to increased revenues, manufacturing overhead, as a percent of sales, decreased from 43.7% for the three months ended February 28, 2002 to 20.5% for the three months ended February 28, 2003.

SELLING & ADMINISTRATIVE EXPENSES - Selling and administrative expenses increased from \$378,000 for the three months ended February 28, 2002 to \$417,000 for the three months ended February 28, 2003. As a percent

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of sales, selling and administrative expense decreased from 12% to 5%. The increase in selling and administrative expense was largely due to an increase of \$31,000 in legal and professional expenses.

INTEREST EXPENSE - Interest expense for the three months ended February 28, 2003 was approximately \$142,000 as compared to approximately \$157,000 for the three months ended February 28, 2002. As a percentage of sales, interest expense decreased from 4.5% in the quarter ended February 28, 2002 to 1.7% for the quarter ended February 28, 2003. This decrease was the result of lower debt levels and interest rates during the quarter ended February 28, 2003 as compared to the previous comparable quarter.

OTHER EXPENSE - Other expense for the three months ended February 28, 2003 was approximately \$80,000 as compared to approximately \$12,000 for the three months ended February 28, 2002. As a percentage of sales, other expense increased from 0.4% in the quarter ended February 28, 2002 to 1.0% for the quarter ended February 28, 2003. This increase was due to fees and expenses incurred during the second quarter of 2003 in relation to the Company's debt refinancing. Such expenses and fees will be amortized over the term of the financing (one year).

COMPARISON OF THE SIX MONTHS ENDED FEBRUARY 28, 2003 TO THE SIX MONTHS ENDED FEBRUARY 28, 2002.

REVENUES - Revenues for the six months ended February 28, 2003 totaled \$12.6 million as compared to \$6.8 million for the six months ended February 28, 2002, an increase of \$5.8 million or 85%. The revenue increase is a direct result of the Company receiving additional orders. For the six months ended February 28,

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2003, the Company had incurred approximately 130,000 shop floor hours as compared to 89,000 during the same period of 2002, an increase of 41,000 hours or 46%.

**COST OF SALES** - Cost of sales was \$11.5 million or 90.8% of sales for the six months ended February 28, 2003 as compared to \$7.1 million or 104.7% of sales for the same period last year. The increase in gross margin was due to the Company's increased backlog and revenues thus resulting in improved absorption of the Company's fixed manufacturing overhead.

Direct costs increased from \$3.4 million in 2002 to \$7.1 million in 2003 and, as a percent of sales, direct costs increased from 49.7% to 56.4%. Direct labor expense was \$2.4 million in 2003 as compared to \$1.8 million in 2002 however, as a percent of sales, direct labor expense decreased from 26.1% in 2002 to 19.3% in 2003. The increase in direct labor expense of \$0.6 million was a direct result of higher contract level requirements and resulting increase in shop floor hours during the first and second quarters of 2003. Direct material expense increased from \$1.2 million in 2002 to \$2.2 million in 2003, however as a result of the increase in revenue, direct material expense, as a percent of sales, decreased slightly from 17.9% in 2002 to 17.3% in 2003. Outside service expenses increased from \$0.4 million in 2002 to \$2.5 million in 2003 and, as a percent of sales, increased from 6.1% to 19.7%. This significant increase was largely due to the increased volumes and related outsourcing contracts. The Company, as a result of its increased backlog, is outsourcing certain stamping die construction to other die manufacturers. As a result, the Company has recorded approximately \$1.6 million of expense during the first six months of 2003 related to outsourcing die construction. The remaining outside services expense increases included approximately \$232,000 in patterns and \$288,000 in other outside services.

Engineering expense increased from \$0.6 million for the six months ended February 28, 2002 to \$1.1 million for same period of 2003 however, as a percent of sales engineering expense decreased from 9.5% to 8.4%. The increase in engineering expense was largely in salaries as a result of the Company increasing its engineering staffing levels for the Company's increased backlog.

Manufacturing overhead expense increased from \$3.1 million for the six months ended February 28, 2002 to \$3.3 million for the same period in 2003, however, due to increased revenues, it decreased, as a percent of sales, from 45.6% to 26.0%. The largest increases during this period in 2003 as compared to 2002 included \$60,000 in payroll tax expense, \$50,000 in medical, workers compensation and general insurance and \$29,000 in facility utilities.

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**SELLING & ADMINISTRATIVE EXPENSES** - Selling and administrative expenses decreased from \$844,000 or 12.4% of sales for the six months ended February 28, 2002 to \$739,000 or 5.8% of sales in 2003. The most significant change was a \$103,000 decrease in Michigan Single Business Tax expense.

**INTEREST EXPENSE** - Interest expense for the six months ended February 28, 2003 slightly decreased to \$299,000 or 2.4% of sales from \$312,000 or 4.6% of sales for the 2002.

**OTHER EXPENSE** - Other expense for the six months ended February 28, 2003 was approximately \$83,000 as compared to approximately \$25,000 for the same period last year. As a percentage of sales, other expense increased from 0.3% in the

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six months ended February 28, 2002 to 0.7% for the same period in 2003. This increase was due to fees and expenses incurred during the second quarter of 2003 in relation to the Company's debt refinancing. Such expenses and fees will be amortized over the term of the financing (one year).

### FEDERAL INCOME TAXES

For the six months ended February 28, 2003, the Company decreased its valuation allowance by \$14,000 to reflect the deferred tax assets utilized to reduce current income taxes.

### LIQUIDITY AND CAPITAL RESOURCES

For the six months ended February 28, 2003, the Company's cash used in operating activities was \$896,000. This largely resulted from an increase of \$6,820,000 in account receivables, a decrease of \$2,543,000 in contracts in process, and a \$2,662,000 increase in accounts payable and accrued expenses. From investing activities, the Company incurred an increase in other assets (cash surrender value of life insurance policies) of \$22,000 and acquired \$60,000 in plant, property and equipment. The Company used \$873,000 to reduce the revolving credit line and \$486,000 to reduce long-term and subordinated debt.

The Company believes that the unused portion of the Revolving Line of Credit and funds generated from operations including receipt of progress payments from the Company's major customer (of which \$2.9 million was received in December 2002 and \$3.8 million in April, 2003) will be sufficient to cover anticipated cash needs through fiscal 2003. However, depending on the level of future sales, and the terms of such sales, an expanded credit line may be necessary to finance increases in trade accounts receivable and contracts in process. The Company believes it will be able to obtain such expanded credit line, if required, on generally the same terms as the existing credit line.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

None.

### ITEM 4. CONTROLS AND PROCEDURES

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

The Company made no significant changes in its internal controls or in other factors that could significantly affect those controls subsequent to the date of the evaluation of those controls by the Chief Executive and Chief Financial Officers.

## PART II. OTHER INFORMATION

### ITEM 5. OTHER INFORMATION

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits:
- 99.1 Written Statement of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 Sec. 906
  - 99.2 Written Statement of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 Sec. 906
- (b) Reports on Form 8-K:
- None

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SIGNATURES

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

Date: April 14, 2003

Riviera Tool Company

/s/ Kenneth K. Rieth

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

/s/ Peter C. Canepa

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

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CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Riviera Tool Company (the "Company") on Form 10-Q for the period ending February 28, 2003 as filed with the Securities and Exchange Commission on the date hereof, I, Kenneth K. Rieth, Chief Executive Officer of registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, that:

(1) I have reviewed this quarterly report on Form 10-Q of Riviera Tool Company;

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(2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and

(3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of registrant as of, and for, the periods presented in this quarterly report; and

(4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

(5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

(6) The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: April 14, 2003

By: /s/ Kenneth K. Rieth

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Kenneth K. Rieth  
Chief Executive Officer

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by such Act, be deemed filed by registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

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CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Riviera Tool Company (the "Company") on Form 10-Q for the period ending February 28, 2003 as filed with the Securities and Exchange Commission on the date hereof, I, Peter C. Canepa, Chief Financial Officer of registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, that:

(1) I have reviewed this quarterly report on Form 10-Q of Riviera Tool Company;

(2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and

(3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of registrant as of, and for, the periods presented in this quarterly report; and

(4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

(5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal

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controls; and

(6) The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: April 14, 2003

By: /s/ Peter C. Canepa

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Peter C. Canepa  
Chief Financial Officer

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This certification accompanies this Report on Form 10-Q pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

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### 10-Q EXHIBIT INDEX

| EXHIBIT NO. | DESCRIPTION  |
|-------------|--|
| EX- 10(cc)  | Revolving Credit Loan Agreement, including Revolving Credit Note and Term Note between Registrant and Comerica Bank, dated December 23, 2002 |
| EX- 10(dd)  | Subordinated Loan Agreement and Note between Registrant and Fifth Third Bank, f/k/a Old Kent Bank, dated December 23, 2002                   |
| EX-99.1     | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002                       |
| EX-99.2     | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002                       |