ROYAL APPLIANCE MANUFACTURING CO
Form PREM14A
January 10, 2003

SCHEDULE 14A
(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant [X]
Filed by a Party other than the Registrant [ ]
Check the appropriate box:

[X] Preliminary Proxy Statement
[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[ ] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to Section 240.14a-11c or Section 240.14a-12

Royal Appliance Mfg. Co.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

---

(2) Aggregate number of securities to which transaction applies:

---

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

---

(4) Proposed maximum aggregate value of transaction:

---

(5) Total fee paid:

[ ] Fee paid previously with preliminary materials.

[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

---

(2) Form, Schedule or Registration Statement No.:

---

(3) Filing Party:

---

(4) Date Filed:

[Royal Appliance Logo] [Dirt Devil Trademark]

January , 2003

Dear Royal Appliance Mfg. Co. Shareholder:

The board of directors of Royal Appliance Mfg. Co. has unanimously agreed to merge with TIC Acquisition Corp., an indirect wholly owned subsidiary of TechTronic Industries Co., Ltd. After undertaking a strategic review with the objective of enhancing shareholder value, the board unanimously determined that the merger is in the best interests of Royal Appliance Mfg. Co. shareholders.

A special meeting of shareholders to vote on the merger and related matters has been scheduled for March , 2003 at 9:00 a.m., Cleveland time, to be held at The Forum Conference Center, One Cleveland Center, 1375 East Ninth Street, Cleveland, Ohio. The merger cannot be completed unless shareholders holding or representing two-thirds of the outstanding shares vote to adopt the merger agreement.

The accompanying notice of meeting and proxy statement explain the merger and provide specific information concerning the special meeting. Please read these materials carefully.

Your vote is very important, regardless of the number of shares you own. To be certain that your shares are voted at the special meeting, please mark, sign, date and return promptly the enclosed proxy card, whether or not you plan to attend the special meeting in person. If you attend the meeting and decide to vote in person, you may withdraw your proxy at the meeting. If you do not vote, it will have the same effect as voting against the merger.

Royal Appliance Mfg. Co.'s board strongly supports the merger and is recommending that you vote in favor of adopting the merger agreement.

Sincerely,

Michael J. Merriman
President and CEO

[Royal Appliance Logo] [Dirt Devil Trademark]

ROYAL APPLIANCE MFG. CO.
CLEVELAND, OHIO

NOTICE OF SPECIAL SHAREHOLDERS MEETING
TO BE HELD ON MARCH , 2003

NOTICE IS HEREBY GIVEN that a special meeting of shareholders of Royal Appliance Mfg. Co., an Ohio corporation (the "Company"), will be held on March , 2003, at 9:00 a.m., local time at The Forum Conference Center, One Cleveland Center, 1375 East Ninth Street, Cleveland, Ohio, for the following purposes, as further described in the accompanying proxy statement:

(1) Adoption of Merger Agreement. To consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of December 16, 2002 (the "Merger Agreement") by and among the Company, TechTronic Industries Co., Ltd., a corporation organized under the laws of Hong Kong, ("TechTronic"), RAMC Holdings, Inc., a Delaware corporation and wholly owned subsidiary of TechTronic ("Acquiror"), and TIC Acquisition Corp, an Ohio corporation and wholly owned subsidiary of Acquiror ("Merger Sub"), and the transactions contemplated thereby, including, without limitation, the merger of Merger Sub with and into the Company (the "Merger").

(2) Other Matters. To act upon other business as may properly come before the meeting or any adjournment thereof.

Only shareholders of record of common stock of the Company at the close of business on January , 2003 (the "Record Date") are entitled to notice of, and to vote at, the special meeting or any adjournments or postponements thereof. A list of shareholders of record as of the Record Date will be available for inspection at the Company's offices at 7005 Cochran Road, Glenwillow, Ohio, at least ten days prior to the special meeting.

As a result of the Merger, each Royal share (except shares held by shareholders who properly perfect their dissenters' rights with respect to their shares under Ohio law and treasury shares owned by the Company) will be converted into the right to receive $7.37 in cash. The accompanying proxy statement contains detailed information about the Merger Agreement, the Merger, and the actions to be taken in connection with the Merger. The terms of the Merger are more fully described in the Merger Agreement, which is attached as Annex A to the accompanying proxy statement.

Shareholders who properly perfect dissenters' rights as set forth in Section 1701.84 and Section 1701.85 of the Ohio Revised Code will be entitled, if the Merger is completed, to receive payment of the fair cash value of their shares as determined by an Ohio court. See the section entitled "Dissenters' Rights" in the accompanying proxy statement and the full text of Section 1701.84 and Section 1701.85 of the Ohio Revised Code, which is attached as Annex C to the accompanying proxy statement, for a description of the procedures that shareholders must follow in order to exercise their dissenters' rights.

The Board of Directors of the Company, after careful consideration, has unanimously determined that the Merger Agreement and the transactions contemplated by, the Merger Agreement, including the Merger, are fair and in the best interests of Royal shareholders. THE BOARD OF DIRECTORS OF THE COMPANY HAS UNANIMOUSLY APPROVED AND RECOMMENDED THAT ROYAL SHAREHOLDERS VOTE "FOR" ADOPTING THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE MERGER.

By Order of the Board of Directors.

Richard G. Vasek
Secretary

Glenwillow, Ohio
January , 2003

IMPORTANT

Your vote is important. ALL SHAREHOLDERS ARE INVITED TO ATTEND THE SPECIAL MEETING OF SHAREHOLDERS IN PERSON. HOWEVER, TO ASSURE THAT YOUR VOTE IS COUNTED AT THE SPECIAL MEETING, PLEASE MARK, DATE AND SIGN YOUR PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE. Any shareholder attending the special meeting may vote in person even if the shareholder returned a proxy. No postage is required if mailed in the United States.

WHETHER OR NOT YOU EXPECT TO ATTEND THE SPECIAL MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD AND MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE IN ORDER TO ENSURE REPRESENTATION OF YOUR SHARES.

PLEASE DO NOT SEND YOUR STOCK CERTIFICATES AT THIS TIME. IF THE PROPOSED MERGER IS COMPLETED, YOU WILL BE SENT INSTRUCTIONS REGARDING THE SURRENDER OF YOUR CERTIFICATES.

If a properly executed proxy card is submitted and no instructions are given, the shares represented by that proxy will be voted "FOR" adopting the Merger Agreement and the transactions contemplated thereby, including the Merger.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE MERGER, PASSED UPON THE MERITS OR FAIRNESS OF THE MERGER, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE DISCLOSURE IN THE ACCOMPANYING PROXY STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This proxy statement incorporates by reference important business and financial information about the Company from documents filed with the Securities and Exchange Commission that are available without charge from the Securities and Exchange Commission's website at www.sec.gov. See "ADDITIONAL INFORMATION" on page . Shareholders may request copies of these documents, without charge, by writing to Royal Appliance Mfg. Co., 7005 Cochran Road, Glenwillow, Ohio 44139, Attention: Investor Relations Department, or by calling Royal Appliance Mfg. Co. at (440) 996-2000.

This proxy statement is first being mailed to shareholders on or about January , 2003.

TABLE OF CONTENTS

ROYAL APPLIANCE MFG. CO.
7005 COCHRAN ROAD
GLENWILLOW, OHIO

PROXY STATEMENT
SPECIAL MEETING OF STOCKHOLDERS

SUMMARY

This summary highlights important selected information contained in this proxy statement relating to the proposed merger of TIC Acquisition Corp., an Ohio corporation ("Merger Sub"), with and into Royal Appliance Mfg. Co. ("Royal" or the "Company"). Merger Sub is a wholly owned subsidiary of RAMC Holdings, Inc., a Delaware corporation ("Acquiror"), which is itself a wholly owned subsidiary of TechTronic Industries Co., Ltd., a Hong Kong corporation ("TechTronic").

This summary does not contain all of the information that may be important to Royal shareholders and is qualified in its entirety by reference to the information contained elsewhere in, or incorporated by reference into, this proxy statement. To more fully understand the proposed Merger and for a more complete description of the legal terms of the Merger, you should read carefully this entire proxy statement and all of its appendices before voting. We have included page references parenthetically to direct you to more complete descriptions of the topics presented in this summary.

THE SPECIAL MEETING (PAGES AND)

TIME, DATE AND PLACE

The special meeting of Royal shareholders (the "Special Meeting") will be held at 9:00 a.m., Cleveland time, on March , 2003 at:

FORUM CONFERENCE CENTER
ONE CLEVELAND CENTER
1375 EAST NINTH STREET
CLEVELAND, OHIO

MATTERS TO BE CONSIDERED AT THE SPECIAL MEETING (PAGE)

At the Special Meeting, Royal shareholders will be asked to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated December 16, 2002, by and among the Company, TechTronic, Acquiror and Merger Sub (the "Merger Agreement"), which is attached to this proxy statement as ANNEX A, and,

as a consequence, approve transactions contemplated by the Merger Agreement, including the merger of Merger Sub with and into the Company (the "Merger").

RECORD DATES, SHARES ENTITLED TO VOTE AND VOTES REQUIRED (PAGES AND)

Royal shareholders are entitled to cast one vote for each Royal share held at the close of business on January , 2003, the record date for the Special Meeting (the "Record Date"). On that date, 12,861,052 Royal shares were outstanding and entitled to vote, of which a total of 4,594,842 shares were held by the Company's directors and executive officers. Two shareholders who beneficially own approximately 31% of the outstanding shares have executed a voting agreement requiring them to vote in favor of the Merger.

For the merger to be approved, the holders of two-thirds of the outstanding Royal shares must affirmatively vote to adopt the Merger Agreement.

CHANGING A VOTE AFTER A PROXY CARD HAS BEEN SENT (PAGE)

Royal shareholders may change their vote at any time before their proxy is voted. A shareholder "of record," meaning one whose shares are registered in his, her or its name, may revoke a proxy by:

- sending another signed proxy card with a later date to the address indicated on the proxy card; or
- sending a letter revoking the proxy to the Company's corporate secretary; or
- attending the Special Meeting, notifying the inspector of elections that the proxy is revoked, and voting in person.

If any other matters are properly brought before the Special Meeting, the enclosed proxy card authorizes the persons named on the card to vote in their discretion.

A "beneficial holder" whose shares are registered in another name (for example, in "street name") must follow the procedures required by the holder of record, which is usually a brokerage firm or bank, to revoke a proxy. Beneficial holders should contact the holder of record directly for more information on these procedures.

Approximately 135,000 Royal shares are held for the benefit of plan participants of the Company's 401(k) plan. This plan contains pass-through voting provisions for its participants, so the trustees of the plan vote Royal shares that are allocated to each participant's account according to the instructions of that participant. Information relating to voting by participants in this plan is set forth in the section entitled "The Special Meeting -- Plan Voting" beginning on page .

QUORUM AT THE SPECIAL MEETING (PAGES AND)

A quorum must be present in order to transact business at the Special Meeting. A quorum at the Special Meeting requires a majority of the outstanding Royal shares to be present in person or represented by proxy at the Special Meeting. If a Royal shareholder submits a properly executed proxy card, his, her, or its shares will be counted for purposes of calculating whether a quorum is present the Special Meeting, even if that person abstains from voting.

EFFECT OF ABSTENTIONS AND BROKER NON-VOTES (PAGES AND)

Both abstentions and "broker non-votes" will be counted in determining whether a quorum is present at the Special Meeting. Since adoption of the Merger Agreement requires the affirmative vote of the holders of two-thirds of the outstanding Royal shares, abstentions and "broker non-votes" are effectively counted as votes against the Merger Agreement.

IT IS VERY IMPORTANT THAT ALL ROYAL SHAREHOLDERS VOTE THEIR SHARES, SO PLEASE COMPLETE AND RETURN THE ENCLOSED PROXY CARD TODAY!

THE PARTIES (PAGE AND PAGES TO)

- Royal Appliance Mfg. Co.
  7005 Cochran Road
  Glenwillow, Ohio 44139
  Telephone: (440) 996-2000

Royal primarily develops, assembles, sources, and markets vacuum cleaners and other cleaning appliances for home and commercial use under the Dirt Devil(R) and Royal(R) brand names, as well as the Telezapper(R), a device that helps reduce computer-dialed telemarketing calls. The Company's web site addresses are: www.royalappliance.com, www.dirtdevil.com, and www.telezapper.com.

Based on the closing price of Royal shares on the New York Stock Exchange on January , 2003 ($) and the number of Royal shares outstanding on that date (12,861,052), the Company's market capitalization was approximately $ million. The outstanding shares do not include 2,713,940 shares issuable upon exercise of outstanding stock options or phantom stock rights granted under the Company's options and phantom stock plans.

ADDITIONAL INFORMATION CONCERNING THE COMPANY IS INCLUDED IN THE REPORTS THE COMPANY PERIODICALLY FILES WITH THE SEC. SEE "ADDITIONAL INFORMATION" BEGINNING ON PAGE .

- TechTronic Industries Co., Ltd.
  24/F., CDW Building
  388 Castle Peak Road
  Tsuen Wan, N.T., Hong Kong
  Telephone: 011-852-2413-[0620]
  Web site address: www.tti.com.hk

Founded in 1985, TechTronic is a world leading manufacturer and marketer of innovative home improvement power products, floor care appliances and electronic measuring products. TechTronic's brands include Ryobi(R) power tools, Homelite(R) outdoor products, and Vax(R) floor care appliances.

- RAMC Holdings, Inc.
  c/o TechTronic Industries Co., Ltd.
  24/F., CDW Building
  388 Castle Peak Road
  Tsuen Wan, N.T., Hong Kong
  Telephone: 011-852-2413-[0620]

RAMC Holdings, Inc., a Delaware corporation, is a wholly owned subsidiary of TechTronic, and was formed in December 2002 to be the parent of Royal post-merger. Save for entering into the Merger Agreement and the transactions contemplated thereunder, Acquiror has not carried on any business since its incorporation.

- TIC Acquisition Corp.
  c/o TechTronic Industries Co., Ltd.
  24/F., CDW Building
  388 Castle Peak Road
  Tsuen Wan, N.T., Hong Kong
  Telephone: 011-852-2413-[0620]

TIC Acquisition Corp., an Ohio corporation, is a wholly owned subsidiary of Acquiror formed in December 2002 for the sole purpose of completing the Merger as contemplated by the Merger Agreement. Save for entering into the Merger Agreement and the transactions contemplated thereunder, Merger Sub has not carried on any business since its incorporation.

EFFECTS OF THE MERGER (PAGES TO)

Adopting the Merger Agreement at the Special Meeting would result in, among other things, the merger of Merger Sub with and into the Company, in which the Company will remain as the surviving corporation and become a wholly owned subsidiary of Acquiror (the "Surviving Corporation"). As a result of the Merger:

- Each Royal share (other than treasury shares owned by the Company and shares held by any shareholder who properly perfects dissenters' rights under Ohio law) will be converted into the right to receive $7.37 in cash.

- All unexercised options to purchase Royal shares will be converted into a right to receive cash in the amount of $7.37 less the applicable exercise price for each Royal share issuable upon or pertaining to the exercise of these options. All phantom stock awards issued by the Company will be converted into a right to receive cash in the amount of $7.37.

- Merger Sub will merge with and into the Company, and the Company will continue as the surviving corporation and become a wholly owned subsidiary of Acquiror.

- The Company will terminate the registration of Royal shares under the Securities Exchange Act of 1934 and the listing of Royal shares on the New York Stock Exchange, and there will be no public market for Royal shares.

The rights and obligations of the parties to the Merger Agreement are governed by the specific terms and conditions of the Merger Agreement and not by any summary or other information in this proxy statement. Therefore, the information in this proxy statement regarding the Merger Agreement and the Merger is qualified in

its entirety by reference to the Merger Agreement itself, a copy of which is attached as ANNEX A to this proxy statement.

BOARD OF DIRECTORS' RECOMMENDATION (PAGE)

Based on all the factors considered by the Board of Directors of the Company (the "Royal Board"), the Royal Board unanimously approved the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger. The Royal Board also resolved to submit the Merger Agreement to Royal shareholders for adoption.

THE ROYAL BOARD BELIEVES THAT THE TERMS OF THE MERGER, THE MERGER AGREEMENT

AND THE TRANSACTIONS CONTEMPLATED BY THE MERGER AGREEMENT ARE FAIR TO AND IN THE BEST INTERESTS OF ROYAL SHAREHOLDERS. THE ROYAL BOARD RECOMMENDS THAT ROYAL SHAREHOLDERS VOTE FOR ADOPTING THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE MERGER.

PRINCIPAL SHAREHOLDERS' VOTING AGREEMENT

John P. Rochon and E. Patrick Nalley, the two largest beneficial owners of Royal shares, are currently members of the Royal Board and beneficially own approximately 31% of Royal's outstanding stock. As directors, they voted to approve the Merger Agreement and the transactions contemplated thereby, including the Merger. Mr. Rochon, on behalf of Richmont Capital Partners I, L.P. ("Richmont Capital"), and Mr. Nalley have entered into voting agreements with TechTronic. Under the voting agreements, Richmont Capital and Mr. Nalley agreed to vote their shares in favor of adopting the Merger Agreement. They also agreed to vote against any action that would cause a breach of the Merger Agreement. The voting agreement terminates upon termination of the Merger Agreement in accordance with its terms or on April 15, 2003 if the Merger has not occurred by that date.

OPINION OF FINANCIAL ADVISERS (PAGE)

The Royal Board considered the opinion of NatCity Investments, Inc. ("NatCity Investments") that was dated December 9, 2002. The opinion of NatCity Investments is based on and subject to the assumptions, qualifications and limitations described in the opinion. As of the date of the opinion, NatCity Investments opined that the consideration to be received by Royal shareholders pursuant to the Merger Agreement was fair from a financial point of view to the holders of Royal shares. The opinion is attached as ANNEX B to this proxy statement. You are urged to, and should, read the NatCity Investments opinion in its entirety. The opinion does not constitute a recommendation with respect to how any Royal shareholder should vote at the Special Meeting or as to any other action any Royal shareholder should take regarding the Merger.

INTERESTS OF ROYAL DIRECTORS AND OFFICERS IN THE TRANSACTION (PAGE)

In considering the recommendation of the Royal Board with respect to the Merger, Royal shareholders should be aware that certain directors and executive officers of the Company may have interests in the Merger that are different from, or are in addition to, the interests of Royal shareholders generally, including those listed below:

- Fourteen officers of the Company, including the four executive officers, are party to severance and employment agreements that are designed to retain the executives and provide for continuity of management in the event of any actual or threatened change in the control of the Company. In exchange for the officers' agreement to terminate their existing agreements and enter into new agreements with the Company, these officers will receive payments totaling $2.4 million upon consummation of the Merger.

- Options to purchase Royal shares and phantom stock awards outstanding but unvested at the time the Merger becomes effective will become vested. As of January , 2003 the current directors and executive officers of the Company held options to purchase Royal shares and phantom stock awards that will accelerate and vest as a result of the Merger, with a value of $3,136,325 (based on $7.37 per share less, in the case of the options, the applicable exercise price) without regard to withholding for taxes.

TAX CONSEQUENCES (PAGE)

The receipt of cash by Royal shareholders in exchange for their shares will be a taxable transaction for U.S. federal income tax purposes under the Internal Revenue Code and may be a taxable transaction for foreign, state and local income tax purposes as well. Shareholders will recognize gain or loss measured by the difference between the amount of cash they receive and their tax basis in Royal shares exchanged therefor. Royal shareholders should consult their own tax advisors regarding the U.S. federal income tax consequences of the Merger particular to them, as well as any tax consequences under state, local or foreign laws.

THE MERGER AGREEMENT (PAGES TO AND ANNEX A)

CONDITIONS TO THE CLOSING OF THE MERGER (PAGE)

Before we can complete the Merger, a number of conditions must be satisfied or waived. These conditions include, but are not limited to:

- the adoption of the Merger Agreement and the transactions contemplated thereby, including the Merger, by the requisite vote of Royal shareholders and approval of the Merger by the TechTronic shareholders;

- the expiration or termination of the waiting or similar period (including any extension thereof) applicable to the consummation of the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act") and any applicable laws of any non-U.S. jurisdiction relating to antitrust matters or competition;

- since the date of the Merger Agreement, the absence of a "Material Adverse Change" or "Material Adverse Effect," both defined in the Merger Agreement as any change, effect, event, occurrence or state of facts that is, has had or is reasonably likely to have a material and adverse effect on the business, financial condition, results of operations, or prospects of the Company and its subsidiaries taken as a whole, other than any change, effect, event, or occurrence (i) relating to the economy or capital or securities markets of the United States or any other region in general, (ii) resulting from entering into, the consummation of the transactions contemplated by, or the announcement of the Merger Agreement, or (iii) relating to its business, financial condition or results of operations that has been disclosed in writing to the other party prior to the date of the Merger Agreement;

- the accuracy of the respective representations and warranties made by each party and each party's compliance with the covenants under the Merger Agreement, in each case in all material respects as of the time of closing;

- the absence of any effective judgment, order, decree, statute, law, ordinance, rule or regulation entered, enacted, promulgated, enforced, or issued by any court or other governmental entity of competent jurisdiction or other legal restraint or prohibition (collectively, "Restraints") affecting or seeking to prohibit the transactions contemplated by the Merger Agreement, including consummation of the Merger; and

- the deposit with the Escrow Agent of funds equal to the aggregate sum due all Royal shareholders and all option and phantom stock award holders in the Merger and payment of an aggregate amount of $2.4 million in consideration for the termination of certain officers' existing employment and severance agreements and their execution of new agreements.

We expect to consummate the Merger as promptly as practicable after all of the conditions to the Merger have been satisfied or waived.

TERMINATION OF THE MERGER AGREEMENT (PAGE)

The Merger Agreement may be terminated at any time prior to the closing of the Merger, whether before or after Royal shareholders have adopted it, in any of the following cases:

(1) by mutual written consent of TechTronic and the Company;

(2) by Acquiror, if the Company has materially breached any representation, warranty or covenant contained in the Merger Agreement that would have a Material Adverse Effect on the Company and cannot be timely cured;

(3) by the Company, if TechTronic, Acquiror or Merger Sub has materially breached any representation, warranty or covenant contained in the Merger Agreement that cannot be timely cured;

(4) by either the Company or Acquiror if (i) the Merger is not consummated by April 15, 2003, (ii) Royal shareholders do not adopt the Merger Agreement at the Special Meeting or any postponement or adjournment of the Special Meeting, (iii) TechTronic shareholders do not adopt the Merger Agreement at their meeting or (iv) any Restraint is in effect and final;

(5) by the Company upon entering into a binding agreement concerning a Superior Proposal, as defined in the Merger Agreement (see "The Merger Agreement -- Non-Solicitation" on page of this proxy statement), provided that the Company complied with the applicable provisions of the Merger Agreement, including notice and the payment to Acquiror of a termination fee of $5,300,000 plus reimbursement of up to $700,000 of all reasonable out-of-pocket fees and expenses incurred by TechTronic, Merger Sub, and Acquiror in connection with the Merger;

(6) by the Company, if anything occurs or exists that would, or would be reasonably likely to, cause or give rise to the failure of any of the conditions to the obligations of TechTronic, Acquiror, or Merger Sub and that cannot be timely cured;

(7) by Acquiror if anything occurs or exists that would or would, be reasonably likely to, cause or give rise to the failure of any of the conditions to the obligations of the Company and that cannot be timely cured; and

(8) By Acquiror if (i) a third party shall have commenced an exchange offer or tender offer that would result in that third party owning or controlling 50% or more of the Royal shares, and the Royal Board fails to recommend against acceptance of this tender or exchange offer by the Royal shareholders, (ii) the Company or any of its subsidiaries authorizes, recommends, proposes or publicly announces an agreement with a third party regarding a merger, the disposal of 20% or more of the consolidated assets of the Company and its subsidiaries, or the issuance, sale or other disposal of securities representing 10% or more of the voting power of the Company, (iii) a third party acquires beneficial ownership or the right to acquire beneficial ownership of 15% or more of the Royal shares, under certain conditions, or (iv) the Royal Board withdraws or adversely modifies its approval or

recommendation of the Merger and the Merger Agreement.

TERMINATION FEES AND EXPENSES IF MERGER IS NOT COMPLETED (PAGE)

Acquiror will be entitled to receive a termination fee in an amount equal to $5,300,000 plus reimbursement of up to $700,000 of all reasonable out-of-pocket fees and expenses incurred by TechTronic, Acquiror, or Merger Sub, if the Merger Agreement is terminated for any of the reasons stated in items 5 or 8 above.

NO SOLICITATION (PAGE)

The Merger Agreement contains non-solicitation provisions which prohibit the Company from soliciting a competing proposal to the Merger. There are exceptions to these prohibitions if the Company receives a proposal for a transaction from a third party under certain circumstances set forth in the Merger Agreement (see "The Merger Agreement -- Non-Solicitation" on page of this proxy statement).

DISSENTERS' RIGHTS (PAGE)

If the Merger is consummated, Royal shareholders will have certain rights under the Ohio Revised Code to dissent and demand dissenters' rights and to receive payment of the fair cash value of their Royal shares. Dissenting shareholders may not vote in favor of adopting the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger, as part of perfecting dissenters' rights under Ohio law. Royal shareholders who perfect dissenters' rights by complying with the procedures set forth in Sections 1701.84 and 1701.85 of the Ohio Revised Code will have the fair cash value of their Royal shares determined by an Ohio court and will be entitled to receive a payment equal to the fair cash value of those shares from the corporation surviving the Merger. In addition, any dissenting Royal shareholders would be entitled to receive payment of a fair rate of interest, at a rate determined by the trial court, on the amount determined to be the fair cash value of their Royal shares. In determining the fair cash value of Royal shares, the court is required to take into account all relevant factors, excluding any appreciation or depreciation in market value resulting from

the Merger. Accordingly, the court's determination could be based upon considerations other than, or in addition to, the market value of Royal shares, including, among other things, asset values and earning capacity. Royal shares held by any person who wants to dissent but fails to perfect or who effectively withdraws or loses the right to dissent under Section 1701.85 of the Ohio Revised Code will be converted into, as of the Effective Time of the Merger, the right to receive the consideration offered to Royal shareholders according to the terms of the Merger Agreement. Copies of Sections 1701.84 and 1701.85 of the Ohio Revised Code are attached as ANNEX C to this proxy statement.

QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

Q: WHAT AM I BEING ASKED TO VOTE UPON?

A: You are being asked to vote to adopt the Merger Agreement and the transactions contemplated thereby, including the merger of Merger Sub, an indirect wholly owned subsidiary of TechTronic, with and into the Company.

Q: WHAT WILL I RECEIVE IN THE MERGER?

A: Upon consummation of the Merger, each Royal share you own will be converted into the right to receive $7.37 in cash, without interest.

Options to buy Royal shares or phantom stock awards will fully vest and become exercisable when the Merger is completed. Each option or right will then become the right to receive $7.37 less, in the case of options, the applicable exercise price.

Q: HOW MANY VOTES DO I HAVE?

A: You have one vote for each Royal share that you owned at the close of business on January , 2003, the Record Date.

Q: WHAT VOTE IS REQUIRED TO ADOPT THE MERGER AGREEMENT?

A: For the Merger to occur, the Merger Agreement and the transactions contemplated thereby, including the Merger, must be adopted by the holders of at least two-thirds of the Royal shares outstanding on the Record Date.

Q: DOES THE ROYAL BOARD RECOMMEND THE MERGER?

A: Yes. The Royal Board evaluated the fairness and advisability of the Merger Agreement and transactions contemplated thereby, including the Merger. The Royal Board unanimously approved the Merger Agreement and recommends that you vote for its adoption. For more information about the reasons for the Royal Board's recommendation of the Merger Agreement, see "Recommendation of the Board and Reasons for the Merger" on page of this proxy statement.

Q: WHAT WAS THE OPINION OF THE FINANCIAL ADVISOR?

A: The Royal Board considered the opinion of its financial advisor, NatCity Investments, dated December 9, 2002. The written opinion is attached to this proxy statement as ANNEX B. The assumptions, qualifications and limitations on which the opinion is based are described in the opinion. As of the date of the opinion, NatCity Investments opined that the consideration to be received by Royal shareholders pursuant to the Merger Agreement was fair from a financial point of view to the holders of Royal shares.

Q: HOW DO I VOTE?

A: You may choose one of the following ways to cast your vote:

- by completing the accompanying proxy card and returning it in the enclosed envelope; or

- by appearing and voting in person at the Special Meeting.

If your shares are held in "street name," which means that your shares are held in the name of a bank, broker or other financial institution instead of in your own name, you must either direct the financial institution as to how to vote your shares or obtain a proxy from the financial institution to vote at the Special Meeting.

Q: MAY I CHANGE MY VOTE?

A: Yes. You may change your vote by following any of these procedures. If you are a shareholder "of record," meaning one whose shares are registered in

your own name, you may revoke a proxy by:

- sending another signed proxy card with a later date to the address indicated on the proxy card;

- sending a letter revoking your proxy to our corporate secretary; or

- attending the Special Meeting, notifying us that you are revoking your proxy, and voting in person.

If you are a "beneficial holder" whose shares are registered in another name (for example, in "street name"), you must follow the procedures required by the holder of record, which is usually a brokerage firm or bank, to revoke a proxy. You should contact the holder of record directly for more information on these procedures.

Q: HOW DO I VOTE IN PERSON?

A: If you plan to attend the Special Meeting and wish to vote in person, we will give you a ballot when you arrive. If your shares are held in "street name," you must bring an account statement or letter from the brokerage firm or bank showing that you were the beneficial owner of the shares on the Record Date in order to be admitted to the meeting. If you want to vote shares that are not in your name at the Special Meeting, you must obtain a "legal proxy" from the holder of record and present it at the Special Meeting.

Q: SHOULD I SEND IN MY SHARE CERTIFICATES NOW?

A: No. If the Merger is completed, you will receive written instructions for exchanging your Royal share certificates for cash.

Q: WHOM SHOULD I CALL IF I HAVE ANY QUESTIONS?

A: If you have any questions about the Special Meeting or your ownership of Royal shares, please contact our proxy solicitor, Morrow & Co., by telephone at (212) 754-8000.

If you have any questions about the Merger and the related transactions, please write to:

Royal Appliance Mfg. Co.
Corporate Secretary
7005 Cochran Road
Glenwillow, Ohio 44139

PRICE RANGE OF SHARES; DIVIDENDS

As of January , 2003, there were approximately 820 shareholders of record and approximately 3400 beneficial owners of Royal shares. The following table sets forth the closing high and low prices for Royal shares for the periods indicated and is derived from data prepared by the New York Stock Exchange.

2002		2001	
HIGH	LOW	HIGH	LOW

First Quarter	5.70	4.65	4.60	4.00
Second Quarter	7.13	5.40	6.08	3.20
Third Quarter	6.40	3.90	6.55	3.75
Fourth Quarter	7.27	3.55	5.55	4.05

On December 16, 2002, the last full trading day prior to the announcement of the Merger, the last sale price per Royal share reported by the New York Stock Exchange was $5.98.

The Company has historically not paid dividends on its shares.

Shareholders should obtain current market quotations for Royal shares before making any decision regarding the Merger or the other matters described in this proxy statement.

In April 2001, the Royal Board authorized a Royal share repurchase program that provided for the Company to purchase up to 3,400,000 of its outstanding common shares in the open market and through negotiated transactions. The Company repurchased a total of approximately 1,322,000 shares for an aggregate purchase price of approximately $6,900,000 under the program. The last shares purchased under this program were acquired on August 6, 2002. In the Merger Agreement, the Company agreed to suspend the program, and the program expired on December 31, 2002.

THE SPECIAL MEETING

This proxy statement is being furnished in connection with the solicitation of proxies from the holders of Royal shares by the Royal Board. The Royal Board is soliciting your proxy with respect to the Merger Agreement and the transactions contemplated thereby, including the Merger, and any other matters to be voted upon at the Special Meeting (and at any adjournments or postponements of the meeting). We mailed this proxy statement to holders of Royal shares beginning January , 2003. You should read this proxy statement carefully before voting your shares.

WHERE AND WHEN THE SPECIAL MEETING WILL BE HELD

The Special Meeting will be held at The Forum Conference Center, One Cleveland Center, 1375 East Ninth Street, Cleveland, Ohio, on March , 2003, starting at 9:00 a.m. local time.

WHAT WILL BE VOTED UPON

At the Special Meeting, you will be asked to consider and vote upon the following items:

- to adopt the Merger Agreement and the transactions contemplated thereby, including the Merger;

- other business as may properly come before the Special Meeting or any adjournment or postponements of the Special Meeting.

REQUIRED VOTES

The Royal Board has fixed the close of business on January , 2003 as the Record Date for the determination of shareholders who are entitled to notice of, and to vote at, the Special Meeting of shareholders or any adjournment thereof. On the Record Date, there were issued and outstanding 12,861,052 Royal shares.

The presence at the Special Meeting, in person or by proxy, of a majority of Royal shares outstanding on the Record Date will constitute a quorum for the

conduct of business. Each Royal share entitles the holder thereof to cast one vote on the matters to be voted upon at the Special Meeting.

For the Merger to occur, the Merger Agreement must receive the affirmative vote of the holders of two-thirds of Royal shares outstanding on the Record Date.

Messrs. Rochon and Nalley, the two largest beneficial owners of Royal shares, are currently members of the Royal Board and beneficially own approximately 31% of Royal's outstanding stock. They have approved the Merger Agreement and the transactions contemplated thereby, including the Merger. Mr. Rochon, on behalf of Richmont Capital, and Mr. Nalley have entered into voting agreements with TechTronic. Under the voting agreements, Richmont Capital and Mr. Nalley agreed to vote their shares in favor of adopting the Merger Agreement. They also agreed to vote against any action that would cause a breach of the Merger Agreement. The voting agreement terminates upon termination of the Merger Agreement in accordance with its terms or on April 15, 2003 if the Merger has not occurred by that date.

VOTING SHARES BY PROXY

When you return your proxy card you are giving your "proxy" to the individuals we have designated in the proxy to vote your shares as you direct at the meeting. If you sign the proxy card but do not make specific choices, these individuals will vote your shares for adopting the Merger Agreement, as recommended by the Royal Board. If any matter not specifically listed in the notice of Special Meeting is presented at the Special Meeting, they will vote your shares in accordance with their best judgment. On the date this proxy statement was mailed to Royal shareholders, we knew of no matters that needed to be acted on at the meeting other than those discussed in this proxy statement. When a shareholder has specified a choice on his or her proxy with respect to the Merger Agreement or other proposals or matters, that direction will be followed. If no direction is given, all Royal shares represented by the proxy will be voted for adopting the Merger Agreement or at the discretion of the proxy holder in respect of other proposals or matters.

A proxy may be revoked at any time before it is exercised. For a shareholder "of record" (meaning one whose shares are registered in his or her own name) to revoke a proxy, the shareholder may either:

- send in another signed proxy card with a later date; or
- send a letter revoking the shareholder's proxy to our corporate secretary at the Company's address: Royal Appliance Mfg. Co., 7005 Cochran Road, Glenwillow, Ohio 44139; or
- attend the Special Meeting, notify us that the shareholder is revoking his, her, or its proxy, and vote in person.

A "beneficial holder" whose shares are registered in another name (for example in "street name") must follow the procedures required by the holder of record, which is usually a brokerage firm or bank, to revoke a proxy. A beneficial holder should contact the holder of record directly for more information on these procedures.

If you do not provide your broker with instructions on how to vote your "street name" shares, your broker will not be able to vote them on the Merger Agreement, which will have the effect of voting against the Merger. You should therefore instruct your broker how to vote your shares, following the directions

provided by your broker.

Shareholders who attend the Special Meeting and wish to vote in person will be given a ballot at the meeting. If your shares are held in street name or are otherwise not registered in name, and you want to attend the meeting, you must either direct the financial institution as to how to vote your shares or obtain a proxy from the financial institution to vote at the Special Meeting.

DISSENTING HOLDERS

Ohio law entitles shareholders who do not vote in favor of adopting the Merger Agreement to demand a judicial appraisal of the fair value of their shares. If you do not vote in favor of adopting the Merger Agreement and if you follow the procedures set forth in ANNEX C, you may become a dissenting holder. Failure to follow these procedures precisely will result in a loss of dissenters' rights.

EXCHANGING SHARE CERTIFICATES

Holders of Royal shares should not send in their share certificates with the proxy cards. If the Merger is completed, you will receive written instructions for exchanging your share certificates for cash.

PLAN VOTING

Approximately 135,000 Royal shares are held for the benefit of plan participants of the Company's 401(k) plan for employees (the "Plan"). The Plan provides pass-through voting for its participants, so the trustees of the Plan will vote Royal shares allocated to a plan participant's account in accordance with the instructions of the plan participant.

Plan participants can vote Royal shares held in the Plan on their behalf only by instructing the trustee on a trustee's voting instruction card provided to participants for that purpose.

Any voting instructions given by a plan participant may be revoked at any time prior to the deadline described below by which the Plan's voting instructions must be received, by either:

- delivering a written notice bearing a date later than the date of the first voting instruction card to the Plan trustee at the indicated address; or

- signing and delivering a voting instruction card relating to the same shares and bearing a later date than the date of the previous voting instruction card.

In order to permit sufficient time to tabulate voting instruction cards, a Plan participant's instructions must be received no later than March , 2003.

PROXY SOLICITATION; SOLICITATION COSTS

In addition to this mailing, directors and employees of the Company may solicit proxies personally, electronically or by telephone, none of whom will receive additional compensation for this solicitation.

The Company has requested banks, brokerage houses and other custodians, nominees and fiduciaries to forward the Company's proxy solicitation materials to the beneficial owners of Royal shares they hold of record. The Company will

reimburse these record holders for customary clerical and mailing expenses incurred in forwarding these materials to their customers.

The Company has retained Morrow & Co., for proxy solicitation and information agent services in connection with the Special Meeting. Morrow & Co. will receive a fee of approximately $[ ] for its services and reimbursement of out-of-pocket expenses in connection therewith. The Company also has agreed to indemnify Morrow & Co. against certain liabilities arising out of or in connection with the engagement. Morrow & Co. will solicit proxies from individuals, brokers, banks, bank nominees and other institutional holders.

SPECIAL FACTORS

BACKGROUND OF THE MERGER

The Royal Board has periodically explored and assessed strategic options, in response to outside inquiries and in light of the increasingly competitive floor care industry, with the objective of enhancing shareholder value. In that regard, the Company, in March 1999, hired an investment advisor for the purposes of (i) responding to outside inquiries and conducting a limited solicitation of other potential foreign and domestic, financial and strategic purchasers; (ii) conducting a preliminary valuation of the Company; and, if necessary, (iii) providing a fairness opinion with respect to possible offers.

It was during this 1999 process that TechTronic, as well as numerous other parties, were initially contacted with respect to a possible transaction with the Company. At that time, TechTronic elected not to participate in discussions with respect to the purchase of the Company. In July 1999, the Company terminated its exploration process, having failed to obtain a firm, fully-financed offer that the Board believed reflected the full value of the Company.

In the fall of 1999, management of Royal met with TechTronic representatives in Hong Kong to discuss current and future product supply projects. Management of the Company also met with other Asian suppliers.

In June 2000, John Rochon, a Company director and President of J.R. Investment Corp., the General Partner of Richmont Capital, the owner at that time of 19.8% of Royal, met with Horst Pudwill, Chief Executive Officer of TechTronic, and Henry Sweetbaum, a TechTronic consultant, with respect to Richmont's long-term intention for its investment in Royal. On August 8, 2000, Richmont amended its Schedule 13D filing to note that "based on

current market conditions and the position of the Company, it would not consider selling its shares of the Company's Common Stock at a price less than "low double digits."

In November 2000, management of Royal again traveled to Hong Kong and met with several suppliers, including TechTronic, regarding product supply projects.

Subsequent to the extensive review of strategic options in 1999, the Company has periodically been approached by outside parties who expressed varying degrees of interest in acquiring Royal or a significant stock position in Royal. None of these early stage discussions with any such party resulted in an agreement.

In response to an overture by a potential acquiror in late November 2001, Messrs. Michael Merriman, Richard Farone, Richard Vasek and David Brickner, the Company's executive officers, met in Cleveland on December 13, 2001 with Horst Pudwill, David Butts, Vice President -- Marketing and Business Development of

TechTronic, and Robert Freitag, Vice President of Sales of Ryobi North America, a subsidiary of TechTronic. Royal's management made it known that another global supplier was seeking more business and a desire for a closer working relationship that might lead to a possible combination down the road. Mr. Pudwill expressed that TechTronic had the same long-term desire, but was currently digesting its recent acquisitions of Homelite and Ryobi and he did not believe that TechTronic had the financial capability to do another acquisition at that time. He suggested that since TechTronic's Chief Financial Officer, Frank Chan, was visiting Ryobi in South Carolina that week, that Royal management should meet with him to discuss the then current financial markets.

On December 18, 2001, Messrs. Merriman and Vasek met with Mr. Chan and Philippe Buisson, Ryobi North America's Chief Financial Officer, to discuss the current financing capability of TechTronic and Ryobi. It was concluded that TechTronic did not have sufficient borrowing capacity to make an acquisition the size of Royal at such time. No further discussions were held with TechTronic until August 2002.

On July 30, 2002, Mr. Merriman received an unsolicited overture from another consumer products' company relating to its interest in sourcing products to Royal and a possible combination. Messrs. Pudwill and Butts were in the United States in August 2002 attending a trade show. They met with Messrs. Merriman, Vasek, Farone and Brickner on August 15, 2002, at which meeting Mr. Merriman advised Mr. Pudwill of the recent inquiry. Mr. Pudwill indicated that TechTronic, as a result of a recent public offering, had the financial strength and borrowing ability to explore an acquisition of Royal. He suggested that TechTronic would be better prepared to discuss the issue when Mr. Merriman visited Hong Kong in mid-October to discuss current product sourcing projects. Mr. Merriman stated that he would discuss the matter with the Royal Board prior to his October trip.

At the beginning of September 2002, the consumer product company that had contacted the Company in July indicated that it was not interested in having more detailed discussions about a potential acquisition, but was still interested in exploring product sourcing opportunities.

About the same time, a representative of NatCity Investments received an inquiry from a potential financial buyer as to whether NatCity Investments would present to Royal its interest in pursuing a possible transaction with Royal. Management of the Company, after consulting with several directors of the Company, authorized NatCity Investments to continue contacts with the potential buyer and also to advise TechTronic of the inquiry.

A confidentiality agreement was signed by the potential buyer on September 10, 2002; a second confidentiality agreement was signed by David Butts, on behalf of TechTronic, on October 2, 2002.

In light of these inquiries and the current discussions, at the regularly scheduled October 14, 2002 Royal Board meeting, the Company engaged NatCity Investments to assist the Company in exploring a potential combination with TechTronic, the other entities that had expressed interest in the Company, or possible other parties. At the October 14th meeting, Mr. Merriman advised the Royal Board that he served on the board of National City Bank, an affiliate of NatCity Investments. As a consequence, he abstained from voting on the engagement of NatCity Investments. At the October 14, 2002 directors' meeting, a representative of Kahn Kleinman, the Company's legal counsel, reviewed a memorandum previously distributed to the directors outlining the authority of directors, the duty of care and the duty of loyalty expected of directors, the ability of the board to rely on appropriate third parties, the application and basis of the business judgment rule, and the Directors' fiduciary obligation to the corporation, its shareholders, and other constituencies.

On October 17, 2002, Mr. Merriman met in Hong Kong with Mr. Pudwill to discuss TechTronic's interest in Royal. Mr. Merriman discussed Royal's current financial projections for 2002 and 2003 and possible operating synergies.

On October 18, 2002, the Royal Board held a special telephonic meeting at which Mr. Merriman updated the Royal Board on his discussions with Mr. Pudwill. At this meeting, NatCity Investments furnished the Royal Board with a preliminary financial presentation regarding the Company. NatCity Investments also advised the Royal Board of recent communications with potential bidders, including TechTronic.

On October 19, 2002, Messrs. Merriman and Brickner met with Messrs. Pudwill and Butts. Mr. Pudwill advised Messrs. Merriman and Brickner that at the previous day's TechTronic's board meeting, the TechTronic board had authorized him to proceed with legal, accounting and other necessary due diligence in order to make a cash offer for Royal. Mr. Merriman requested Mr. Pudwill to instruct his negotiating team to work through NatCity Investments.

At the October 28, 2002 special Royal Board meeting, NatCity Investments advised the Royal Board of the status of negotiations with TechTronic and other parties. The Royal Board appointed a negotiating committee of Messrs. Jack Kahl, E. Patrick Nalley and R. Louis Schneeberger to oversee the negotiation process and minimize potential conflicts of interests that management may have. The Royal Board further authorized Royal's counsel to distribute an initial draft of a merger agreement to TechTronic and at least one other potential bidder.

During the period October 31, 2002 through November 2, 2002, TechTronic's legal advisors and accounting consultants reviewed confidential materials in an off-site data room established by Royal. On November 1, 2002, Royal's senior management met with TechTronic's representatives and responded to various due diligence questions.

During the period from October 30, 2002 through December 12, 2002, Royal and TechTronic, working together with their respective legal and financial advisors, negotiated the terms of the definitive merger agreement, other than the price terms, the amount of any "break-up fee" and reimbursement of buyer's expenses, and the circumstances under which such fees and expenses would be payable. During the negotiations, it was agreed that Royal's two principal shareholders, Richmont Capital and E. Patrick Nally, which in the aggregate held approximately 31% of the outstanding shares of the Company, would agree to vote in favor of the transaction if it were recommended by the Royal Board. Accordingly, drafts of a proposed voting agreement with these parties were circulated to TechTronic and these two principal shareholders and terms finalized.

On November 18, 2002, Mr. Sweetbaum called Mr. Merriman and advised him that TechTronic was prepared to bid $92.8 million for the equity of Royal. TechTronic conditioned its bid on the conditions that all severance agreements relating to Royal employees be reduced to six months. Taking into account shares issuable for outstanding stock options and phantom stock awards, the per share bid was approximately $6.56 per share. Mr. Merriman advised Mr. Sweetbaum to communicate the offer to NatCity Investments, which he did.

On November 19, 2002, Mr. Sweetbaum spoke to a representative of NatCity Investments, who advised Mr. Sweetbaum that TechTronic's offer was inadequate. After further conversations, Mr. Sweetbaum increased the offer by $8 million, to an aggregate of $100.8 million, or effectively $7.07 per share. NatCity Investments indicated it would take the offer to the Board's negotiating committee.

A conference call was held on November 21, 2002 among NatCity Investments, the Royal Board's negotiating committee and legal counsel. NatCity Investments advised the Committee that the previously discussed financial buyer had suspended its negotiations pending a review of Royal's year-end results. NatCity Investments also reviewed TechTronic's proposal. The Committee authorized Mr. Merriman to call TechTronic's Chairman directly and determine whether a higher bid was possible, as the current proposal was not acceptable. The Committee also advised Mr. Merriman and the officers to obtain their own independent counsel to negotiate any new employment agreements or changes to their existing severance agreements, so as to avoid any conflict of interest.

On November 21, 2002, Mr. Merriman called Mr. Pudwill to discuss a higher offer so that negotiations could proceed. Mr. Pudwill indicated that TechTronic was willing to increase its offer, but only if Royal management would agree to new employment agreements with a negotiated lump sum payment up front and a reduced severance period of six months. Mr. Pudwill advised Mr. Merriman that TechTronic's Board would decide on a final offer at its board meeting on November 26-27, 2002.

On November 23-24, 2002, Mr. Merriman held discussions with Mr. Sweetbaum and advised him that, were TechTronic to increase its offer to a level acceptable to Royal's Board, (i) senior management was prepared to accept new employment agreements providing six months severance in exchange for lump-sum payments at

closing equal to one-half of the three years of severance payment due under the current contracts, (ii) he was prepared to recommend similar terms to the other Royal employees with severance agreements, but (iii) the Company's Change in Control Severance Compensation Plan covering the rank and file employees would not be changed to reduce employee benefits post-merger.

On November 29, 2002, Mr. Sweetbaum advised Mr. Merriman that TechTronic' Board had approved a proposal of (i) $7.37 for each outstanding share, including shares issuable upon exercise of outstanding stock options and pursuant to phantom stock awards (an aggregate purchase price of $105.5 million for Royal's equity), (ii) an aggregate payment of $2.4 million to be divided among the Royal's fourteen (14) senior management employees with severance agreements, provided that they agree to new employment agreements that included only six months severance, (iii) up to an additional $3.5 million to such senior management employees if Royal's 2003 earnings before income taxes, depreciation and amortization ("EBITDA") exceeded $30 million from sales of products other than Telezapper and $35 million overall, and (iv) no change was necessary to the Company's Change in Control Severance Compensation Plan other than to ensure that the plan terminated three years after the Closing of the Merger. Mr. Sweetbaum also indicated that TechTronic stock options would be made available to Royal's management, the amount and terms of which would be finalized during Mr. Pudwill's trip to Ryobi's facility in South Carolina scheduled for December 10-12, 2002.

A conference call was held on December 2, 2002, among TechTronic, Royal and their respective counsel to discuss the open items in the proposed Merger Agreement. With respect to the size of the "break-up fee," TechTronic requested $10 million.

On December 2, 2002, the Royal Board met to consider the revised proposal. Representatives of NatCity Investments summarized the negotiations that had occurred to date with TechTronic, as well as conversations they had with potential other bidders. Mr. Jack Kahl, a Royal Board member, indicated that he had telephone conversations with the Chief Executive Officer of another consumer

products company to determine whether that company had any interest in acquiring Royal. NatCity Investments made a preliminary financial presentation setting forth its financial analyses relating to the proposed transaction, which was similar to its final presentation made at the December 9, 2002 meeting of the Royal Board. Representatives of Kahn Kleinman reviewed the proposed terms of the merger agreement and the voting agreement. The Royal Board discussed the proposal and advised the committee on its position with respect to the open issues, including the break-up fee. Legal counsel furnished its advice on the appropriateness of break-up fees in transactions similar to the Merger. In authorizing a break-up fee of $5.3 million, plus a maximum of $700,000 in expenses, the Royal Board relied on a presentation of NatCity Investments that reviewed all public company transactions in 2001 and 2002 for which data was available, with an emphasis of transactions with an enterprise value (included funded debt) of between $100-$200 million. Included funded indebtedness, the estimated enterprise value of the proposed transaction was $150 million. NatCity Investments confirmed that the statistical average break-up fee for transactions of such size was 3.5% of enterprise value.

The Royal Board's position on the open matters was communicated to TechTronic the evening of December 2, 2002. On December 3, 2002, TechTronic indicated that it was prepared to accept Royal's proposals on the open contract issues, provided that TechTronic was able to negotiate acceptable employment agreements with Royal management and that its final due diligence items were resolved.

On the evening of December 9, 2002, the Royal Board held a special meeting to discuss in detail the proposed business combination with TechTronic. Members of senior management and representatives of the Company's advisors reviewed the activities and discussions of the past weeks, and presented a summary of the proposed transaction terms as reflected in the draft definitive agreements and the strategic rationale that supported it. NatCity Investments updated the Royal Board on their recent discussions with other potential third party bidders. The Board reviewed Royal's performance and prospects and strategic alternatives. Representatives of Kahn Kleinman reviewed in more detail the terms of the proposed transaction, including the terms of the merger agreement and the necessary changes required in the Company's Shareholder's Rights Agreement, Change In Control Severance Compensation Plan, existing employment agreements and other instruments, and described the Board's fiduciary duties under the circumstances. NatCity Investments provided the Royal Board a detailed analysis of the financial terms of the proposed combination and an oral opinion, which was subsequently confirmed by delivery of a written opinion, dated December 9, 2002, that, as of that date and subject to the factors and assumptions set forth in the opinion, the merger consideration was fair, from a financial point of view, to the holders of Royal shares. Mr. Merriman then advised the Royal Board of the contemplated terms of the

employment arrangements that would be effective upon completion of the merger. The Royal Board then discussed the proposal. At the conclusion of this meeting, after consideration of the factors described under "Recommendation of the Board and Reasons for the Merger" on page , the Royal Board determined by a unanimous vote, that the merger agreement and the transactions contemplated thereby are fair to and in the best interests of Royal and its shareholders, and approved the merger agreement, the amendment to the Royal Shareholder Rights Plan, an amendment to the Change in Control Severance Compensation Plan, the amendments to the existing executive employment agreements, and the acceleration of the vesting of all unvested stock options and phantom stock awards effective immediately prior to the Merger. The Royal Board noted that its approval was still conditioned on agreement by TechTronic and management of the final terms of the employment agreements.

On December 10, 2002, Messrs. Merriman, Farone, Vasek and Brickner met with Mr. Pudwill and other TechTronic management in South Carolina to discuss the employment agreements. During the period December 10-13, 2002, the final terms of the employment agreements were negotiated.

The Royal Board held a brief telephonic meeting on December 11, 2002 at which time it was advised of the current status of the open matters. Although an agreement was not yet a certainty, the Royal Board requested that Mr. Rochon, on behalf of Richmont Capital, and Mr. Nalley execute the voting agreement and forward it to Royal's counsel to be held in escrow pending execution of the definitive agreement.

On the morning of December 13, 2002, at a special meeting of the Royal Board, management reported that all open issues had been resolved, that Messrs. Merriman, Farone, Vasek and Brickner would be meeting with the other Royal management personnel to advise them about the transaction and the need to modify their existing agreements. Assuming that such individuals accepted the revised terms, Royal sought to obtain signatures on both the amendments to the existing agreements and the new employment agreements. The Royal Board was advised that execution of the Merger Agreement would be scheduled for December 16th or 17th following TechTronic's compliance with the regulations of the Hong Kong Stock Exchange. NatCity Investments confirmed for the Royal Board that the increase in the market price of Royal's common stock that had occurred over the prior week did not materially change NatCity Investments' analysis or the basis for its fairness opinion provided on December 9, 2002. Kahn Kleinman advised the Royal Board of the projected timetable from execution of the definitive agreement to closing. The Royal Board reviewed the draft of the press release.

On December 16, 2002, the definitive merger agreement was signed; execution pages were exchanged and the press release issued the morning of December 17, 2002, following the close of the trading day for the Hong Kong Stock Exchange and prior to the opening of the New York Stock Exchange.

RECOMMENDATION OF THE BOARD

On December 9, 2002, the Royal Board unanimously approved the Merger and the merger agreement and determined that the Merger is fair to, and in the best interests of, Royal and its shareholders and recommended that all shareholders adopt the Merger Agreement and the transactions contemplated thereby at the Special Meeting.

The following is a summary of the factors considered material by the Board when making its determination: (i) the Royal Board's knowledge of the business, operations, assets, financial condition and results of operations of Royal; (ii) the opinion of NatCity Investments to the effect that, as of December 9, 2002, and based on the assumptions made, matters considered and limits of the review undertaken, as described in that opinion, the $7.37 per share consideration to be received by holders of shares pursuant to the merger was fair, from a financial point of view, to those holders; (iii) the lack of liquidity and float of Royal's stock and the price of Royal's stock not being reflective of the Royal Board's belief as to its value; (iv) the increasing legal, accounting, insurance and other costs to a small cap company, such as Royal, of remaining a publicly traded enterprise; (v) that the terms of the merger agreement permit the Royal Board properly to discharge its fiduciary duties, including responding to inquiries and proposals from third parties interested in the possible acquisition of Royal and providing information to, and entering into discussions and negotiations with, such parties. Since the Special Meeting will not occur until several months after the execution of the Merger Agreement, the Royal Board believed that such period would be adequate to receive offers from other parties, if any, having an interest in acquiring Royal. The Royal Board further believes that the provisions of the merger agreement providing for a termination

fee to be paid to TechTronic in the event of, among other things, a termination of the merger agreement due to a change in the Royal Board's recommendation of the Merger, and the terms of the voting agreement requiring the

participating shareholders to vote their shares in favor of the merger if it were recommended by the Royal Board, would not unreasonably discourage offers from third parties. Other factors included (vi) the prospects of remaining independent, and (vii) the Royal Directors' belief that there was not another company with whom Royal could effect a transaction with greater value to the shareholders in the immediate future.

REASONS FOR THE ROYAL BOARD'S FAVORABLE RECOMMENDATION

MATERIAL FACTORS

In reaching its decision to approve, and in making its recommendation that Royal shareholders adopt, the Merger Agreement and the transactions contemplated thereby, including the Merger, the Royal Board considered a number of factors, both positive and negative, including the following material factors:

- the Royal Board's familiarity with, and presentations by NatCity Investments regarding, the business, operations, properties and assets, financial condition, competitive position, business strategy, and prospects of the Company (as well as the risks involved in achieving those prospects), the current environment for the consumer appliance industry in which the Company competes, and current industry, economic, and market conditions, both on an historical and on an on-going basis;

- the fact that the offer price of $7.37 per Royal share represented an approximate 52% premium over the $4.85 per share closing price of Royal shares on the last trading day prior to the December 9, 2002 Royal Board meeting;

- the advice that the Royal Board received from legal counsel and NatCity Investments in negotiating and evaluating the terms of the Merger Agreement;

- the financial presentation made by NatCity Investments at the December 9, 2002 meeting of the Royal Board;

- the opinion of NatCity Investments dated December 9, 2002 and attached to this proxy statement as ANNEX B, that, as of that date, the consideration to be received by Royal shareholders pursuant to the Merger Agreement was fair from a financial point of view to the holder of Royal shares;

- the current and historical market prices of Royal shares;

- the lack of liquidity and small public float of Royal shares and the Royal Board's judgment that the current stock price did not reflect the Company's value;

- the fact that the consideration offered to Royal shareholders is all cash, which provides certainty of value to Royal shareholders;

- the increasing legal, accounting, insurance and other costs of remaining a publicly traded company;

- the Royal Board's judgment, in view of the Company's prospects as well as discussions with certain possible acquirers, that it is unlikely that one or more strategic or financial acquirers would be willing to pay, at the

present time, a price for the Company or its assets that would be as high as the consideration offered to Royal shareholders pursuant to the Merger Agreement;

- the provisions of the Merger Agreement that allow the Company, under certain circumstances, to furnish information to and conduct negotiations with a third party, and terminate the Merger Agreement in connection with a superior proposal for a business combination or acquisition of the Company upon payment of a termination fee $5.3 million, which amount represents approximately 3.5% of the Company's enterprise value, plus expenses of up to $700,000; and

- the alternatives available to the Company, including the range of potential values of the Company and the Royal Board's perception that the risk associated with consummating the sale to TechTronic was lower than the risks associated with achieving a competitive value through the implementation of the Company's growth strategy and remaining an independent corporation.

PROCESS

The Royal Board's favorable recommendation followed an extensive process of seeking business combination proposals conducted by the Company and NatCity Investments, pursuant to which interested parties signed

confidentiality agreements, met with Company management, reviewed confidential information about the Company and its business, and reviewed public disclosures by and about the business, financial condition and current business strategy of Royal.

In considering TechTronic's proposal, the Royal Board took into account discussions with other interested parties regarding the value and form of consideration, expected tax treatment, termination fees payable in the event that a more favorable transaction was presented to the Company following the execution of a definitive agreement, and transaction risks related to timing and the certainty that a transaction would be consummated considering regulatory risks and closing conditions. Based on these considerations, the Royal Board believed that acceptance of the TechTronic's proposal was in the best interest of Royal shareholders.

The Board also considered the structure of the Merger and the terms and conditions of the Merger Agreement, including:

- the ability of the Company, prior to the consummation of the Merger, to consider and negotiate unsolicited third party business combination proposals, subject to certain conditions;

- the right of the Royal Board, prior to the consummation of the Merger, to terminate the Merger Agreement and accept a superior proposal, subject to the satisfaction of certain conditions and the payment of a termination fee to TechTronic; and

- the ability to consummate the Merger within a reasonable period of time, including the likelihood of receiving necessary regulatory approvals.

NEGATIVE FACTORS

The Royal Board also identified and considered the following potentially negative factors in its deliberations:

- The possible disruption to the Company's businesses that may result from the announcement of the transaction and the resulting distraction of management attention from the day-to-day operations of the Company's businesses;

- The restrictions contained in the Merger Agreement on the operation of the Company's businesses during the period between the signing of the Merger Agreement and the completion of the Merger;

- The $5.3 million termination fee plus up to $700,000 of expenses to be paid to TechTronic if the Merger Agreement is terminated under circumstances specified in the Merger Agreement. See "The Merger Agreement -- Termination of the Merger Agreement; Termination Fee" on page ;

- The likelihood that TechTronic's shareholders would approve the Merger Agreement;

- The possibility that the Merger might not be completed and the effect of the resulting public announcement of termination of the Merger Agreement on:

  - the market price of Royal shares;

  - the Company's operating results, particularly in light of the significant costs incurred and that would be incurred in connection with a failed transaction; and

  - the Company's ability to attract and retain key personnel;

- The possibility of significant costs, delays and non-consummation of the Merger Agreement resulting from seeking regulatory approvals necessary for the consummation of the Merger Agreement; and

- Gains, if any, arising from receipt of the cash paid in the Merger would be taxable to Royal shareholders for United States federal income tax purposes.

The foregoing discussion of the factors considered by the Royal Board is not intended to be exhaustive. In view of the variety of factors considered in connection with their evaluation of the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger, the Royal Board did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching their respective determinations. The Royal Board considered all the factors as a whole in reaching their respective determinations. In addition, individual members of the Royal Board may have given different weights to different factors.

THE ROYAL BOARD HAS UNANIMOUSLY DETERMINED THAT THE MERGER AGREEMENT WITH TECHTRONIC IS FAIR TO AND IN THE BEST INTERESTS OF ROYAL SHAREHOLDERS AND BELIEVES THAT THE MERGER AGREEMENT REPRESENTS AN OPPORTUNITY TO ENHANCE VALUE FOR ROYAL SHAREHOLDERS.

ACCORDINGLY, THE ROYAL BOARD UNANIMOUSLY RECOMMENDS THAT ROYAL SHAREHOLDERS VOTE FOR ADOPTION OF THE MERGER AGREEMENT.

In considering the recommendation of the Royal Board with respect to the Merger Agreement, Royal shareholders should be aware that certain directors and

officers of the Company have arrangements that cause them to have interests in the transaction that are different from, or are in addition to, the interests of Royal shareholders generally. See "Interests of Certain Persons in the Merger" beginning on page .

OPINION OF NATCITY INVESTMENTS

The Royal Board asked NatCity Investments to render an opinion to the Royal Board as to the fairness, from a financial point of view, of the consideration to be paid to the holders of Royal shares pursuant to the Merger Agreement. On December 9, 2002, NatCity Investments delivered an oral opinion, subsequently confirmed in writing, to the effect that, as of the date of its opinion, and based upon and subject to the assumptions, limitations and qualifications contained in its opinion, the consideration to be received by Royal shareholders pursuant to the Merger Agreement was fair, from a financial point of view, to the holders of Royal shares.

The full text of the written opinion of NatCity Investments is attached to this document as ANNEX B and incorporated into this proxy statement by reference. We urge you to read that opinion carefully and in its entirety for the assumptions made, procedures followed, other matters considered and limits of the review undertaken in arriving at that opinion.

NatCity Investments was retained to serve as an advisor to the Royal Board and not as an advisor to or agent of any shareholder of the Company. NatCity Investments' opinion was prepared for the Royal Board and is directed only to the fairness, from a financial point of view, of the consideration to be paid to Royal shareholders pursuant to the Merger and does not address the merits of the decision by the Company to engage in the Merger or other business strategies considered by the Company, nor does it address the Company's decision to proceed with the Merger. NatCity Investments' opinion does not constitute a recommendation to any of the Company's shareholder as to how that shareholder should vote at the Special Meeting.

NatCity Investments did not determine the amount of the consideration to be paid to Royal shareholders pursuant to the Merger. The amount of consideration was determined in negotiations between the Company and Parent, in which NatCity Investments advised the Royal Board. No restrictions or limitations were imposed by the Royal Board on NatCity Investments with respect to the investigations made or the procedures followed by NatCity Investments in rendering its opinion.

In rendering its opinion, NatCity Investments reviewed, among other things:

- A draft of the Merger Agreement, dated December 6, 2002, which NatCity Investments understood to be in substantially final form;

- A draft of the form of voting agreement, dated December 6, 2002, for certain Royal shareholders, which NatCity Investments understood to be in substantially final form;

- A draft of the form of employment agreement, dated December 7, 2002, for certain executive officers of the Company, which NatCity Investments understood to be in substantially final form;

- The Company's Annual Reports on Form 10-K for each of the fiscal years ended December 31, 1997, 1998, 1999, 2000, and 2001, its Quarterly Report on Form 10-Q for the quarters ended March 31, June 30 and September 30, 2002, and other publicly available information about the Company;

- Unaudited internal information, primarily financial in nature and including projections, prepared and furnished to NatCity Investments by the Company's management;

- Publicly available information concerning the trading of, and the trading market for, Royal shares;

- Publicly available information with respect to certain other companies that NatCity Investments believed to be comparable to the Company and the trading markets for those other companies' securities; and

- Publicly available information concerning the nature and terms of other transactions that NatCity Investments considered relevant to its analysis of this Merger.

NatCity Investments also discussed past and current operations and the financial condition and prospects of the Company, as well as other matters NatCity Investments believed to be relevant to its analysis of the Merger, with certain officers and employees of the Company, and conducted such other financial studies, analyses and investigations, and considered such other information, as NatCity Investments deemed necessary or appropriate.

You should note that in rendering its opinion, NatCity Investments relied upon the accuracy and completeness of all of the financial and other information provided to it or publicly available. NatCity Investments also assumed and relied upon the representations and warranties of the Company and TechTronic contained in the Merger Agreement. NatCity Investments was not engaged to, and did not independently attempt to, verify any of that information. NatCity Investments also relied upon the management of the Company as to the reasonableness and achievability of the financial and operating projections, and the assumptions for those projections provided to it, and assumed that those projections reflect the best currently available estimates and judgments of the Company's management. NatCity Investments was not engaged to assess the reasonableness or achievability of those projections or the assumptions underlying them and expresses no view on those matters. NatCity Investments did not conduct a physical inspection or appraisal of any of the assets, properties or facilities of the Company, nor was it furnished with any evaluation or appraisal.

NatCity Investments also assumed that the conditions to the Merger as set forth in the Merger Agreement would be satisfied and that the Merger would be completed on a timely basis in the manner contemplated by the Merger Agreement.

NatCity Investments' opinion is based on economic and market conditions and other circumstances existing on, and information made available as of, the date of its opinion. NatCity Investments' opinion does not address any matters after the date of its opinion. Although subsequent developments may affect its opinion, NatCity Investments does not have the obligation to update, revise or reaffirm its opinion.

The following is a brief summary of the financial and comparative analyses performed by NatCity Investments to arrive at its opinion. This summary is not intended to be an exhaustive description of the analyses performed by NatCity Investments but includes all material factors considered by NatCity Investments in rendering its opinion. NatCity Investments drew no specific conclusions from any of these analyses, but subjectively factored its observations from these analyses into its qualitative assessment of the relevant facts and circumstances.

Each analysis performed by NatCity Investments is a common methodology utilized in determining valuations. Although other valuation techniques may exist, NatCity Investments believes that the analyses described below, when

taken as a whole, provide the most appropriate analyses for NatCity Investments to arrive at its opinion.

HISTORICAL STOCK TRADING ANALYSES

NatCity Investments reviewed the historical performance of the Royal shares based on an historical analysis of closing prices and trading volumes for the one month, three month, six month, twelve month, two year and five year periods ended December 6, 2002. NatCity Investments noted that the average closing price for the Royal shares over these periods ranged from $4.37 to $5.30, with the lowest average closing price being the three month average and the highest average closing price being the twelve month average.

The following chart summarizes these prices and volume of trading of the Royal shares.

PERIOD	AVERAGE CLOSE	AVERAGE DAILY VOLUME	DAILY CLOSE HIGH	DAILY CLOSE LOW
Latest Month	$4.75	8,773	$4.99	$4.30
Last 3 Months	4.37	11,563	4.99	3.55
Last 6 Months	5.05	14,157	6.99	3.55
Last 12 Months	5.30	18,370	7.13	3.55
Last 2 Years	5.05	15,580	7.13	3.20
Last 5 Years	5.16	35,212	7.13	2.50

NatCity Investments also reviewed the distribution of the closing prices of the Royal shares for the prior one year period and five year period compared to the $7.37 per share to be paid to Royal shareholders pursuant to the Merger Agreement.

PRIOR PERIOD	TRADING VOLUME AT OR BELOW $7.37	TRADING DAYS AT OR BELOW $7.37
One Year	100%	100%
Five Years	100%	100%

DISCOUNTED CASH FLOW ANALYSES

NatCity Investments analyzed various financial projections prepared by the management of the Company for the five year period 2003 through 2007 and performed a discounted cash flow analysis of the Company, as if the Company were to continue on a stand-alone basis, based on these projections. A discounted cash flow analysis is a methodology used to derive an implied equity value for a corporate entity by discounting to the present its future, unlevered, after-tax free cash flows and an estimated terminal value of the entity. NatCity Investments calculated an implied equity value per share reference range for the Company by discounting to the present the unlevered, after-tax free cash flows that the Company is projected to generate over the five-year period 2003 through 2007 and the terminal value of the Company based on a range of multiples applied

to projected 2007 EBITDA. NatCity Investments then compared the implied equity value reference range to the proposed offer price in the Merger. This analysis was repeated in a similar fashion applying a discount to the financial projections as prepared by the management of the Company.

NatCity Investments believed that a discount to management's projections was appropriate due to several factors that have affected the Company's profitability historically, and that are expected to affect its profitability in the future. These factors include, among others, the continued need by the Company to invest in new product development for both its core upright floor care market as well as ancillary products it sells from time to time. Management's projections assumed that the Company would continually be able to introduce innovative, high margin products to replace maturing products. Because there can be no assurance that the Company will be able to continue to develop new products that can be sold at historical revenue and profitability levels, NatCity Investments focused on the core business and did not assume continual innovation.

Furthermore, even after new products have been developed and successfully introduced to consumers, the Company faces stiff competition in all of the markets it serves. Its competitors often compete on price and through the incorporation of additional features and benefits into competitive products. This competition negatively impacts profits within the industry. This dynamic is compounded by the fact that the Company relies on large retailers for much of its business and these retailers are focused on providing its customers with low prices. While the Company may be able to expand margins in the short term given the introduction of new products, the Company has been challenged to maintain these margins given this competitive response. NatCity Investments sees no reason for these industry dynamics to change. To the contrary, these dynamics may become more negative given the growing presence in the U.S. market of low cost consumer goods manufactured in Asia and Mexico. While management's projections account for these dynamics, NatCity Investments believed they would have more of an impact on future results than assumed by management. Taking these company and industry dynamics into consideration, NatCity Investments concluded that a 30% discount to the free cash flows generated by the Company was appropriate in the discounted analysis.

For purposes of these analyses, NatCity Investments used discount rates of 11.7% to 13.7%, based on the projected weighted average cost of capital, including funded debt, of the Company and terminal 2007 EBITDA multiples of 4.5x to 5.5x, which were derived by reference to the implied public market trading multiples of enterprise value to EBITDA of the selected companies in the Comparable Public Company Analysis as discussed below.

These analyses indicated an implied equity value per share reference range for the Company of approximately $9.84 to $10.89 and $6.20 to $6.93 in the undiscounted and discounted analysis, respectively. NatCity Investments noted that the proposed offer price of $7.37 per share was below the implied equity value reference range for the Company in the undiscounted scenario, and above the implied equity value reference range for the Company in the discounted scenario.

COMPARABLE PUBLIC COMPANY ANALYSIS

NatCity Investments reviewed and compared selected financial data of the Company to financial data of eight publicly traded companies that NatCity Investments considered reasonably similar to the Company in that these companies operate in the household appliances industry. The selected companies may significantly differ from the Company based on, among other things, the size of

the companies, the geographic coverage of the company's operations, and the particular markets that the companies focus on. The selected comparable companies included:

- Applica Incorporated
- Electrolux AB
- Helen of Troy, Limited
- Maytag Corporation
- National Presto Industries, Inc.
- Salton, Inc.
- Water Pik Technologies, Inc.
- Whirlpool Corporation

NatCity Investments reviewed, among other things, enterprise values as a multiple of actual latest twelve month sales, earnings before interest, taxes, depreciation and amortization, commonly referred to as EBITDA, and earnings before interest and taxes, commonly referred to as EBIT. NatCity Investments calculated enterprise values as the market value of equity securities plus indebtedness and minority interests less cash and cash equivalents, as of December 5, 2002. Indebtedness includes any off-balance sheet securitizations. NatCity Investments also reviewed equity values as a multiple of projected 2002 EPS and projected 2003 EPS. EPS projections for the selected companies were based on publicly available median consensus research analyst estimates. Projected financial data for the Company were based on projections provided by the Company's management. Latest twelve month sales, EBITDA and EBIT data for the Company were based on year-end 2002 projected financial statements provided by the Company's management. NatCity Investments then compared the implied multiples derived for the selected companies with the multiples implied in the Merger based on the estimated transaction value of the Merger. For purposes of determining the estimated transaction value of the Merger, NatCity assumed consideration of $7.37 per Royal share to be paid pursuant to the Merger and approximately $45.2 million net in funded debt, including a $22.0 million off-balance sheet securitization, to be assumed by TechTronic. The following table sets forth the implied multiples for the selected companies, as compared to the implied multiples based on the estimated transaction value of the Merger:

COMPARABLE PUBLIC COMPANIES	MEDIAN COMPARABLE MULTIPLE	IMPLIED TRANSACTION MULTIPLE
Multiple of Sales	0.5x	0.4x
Multiple of EBITDA	5.2x	5.6x
Multiple of EBIT	6.9x	13.6x
Multiple of 2002 Projected EPS	9.2x	18.6x
Multiple of 2003 Projected EPS	8.8x	5.9x

NatCity Investments noted that the implied multiples of the Company, based on the transaction value of the Merger, were generally above the median transaction multiples of the selected transactions, with the exception of the Multiples of Sales and 2003 Projected EPS.

No company utilized in the comparable public company analysis is identical to the Company. NatCity Investments made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of either the Company or Parent. Mathematical analysis (such as determining the mean or median) is not itself a meaningful method of using publicly traded comparable company data.

COMPARABLE MERGER & ACQUISITION ANALYSIS

Using publicly available information, NatCity Investments reviewed certain transactions in the household appliances industry completed since November 1999 that had targets with comparable EBITDA margins and enterprise values ranging from approximately $50 million to approximately $500 million. These transactions were chosen because they were business combination transactions that, for purposes of the analysis, NatCity Investments considered reasonably similar to the Merger in that these transactions involved companies in the household appliances industry, were transactions of a comparable size and that occurred in a recent period. The selected transactions may significantly differ from the Merger based on, among other things, the size of the

transactions, the form of consideration paid in the transactions, the structure of the transactions, and the date the transactions were consummated.

TARGET	ACQUIROR
Allegheny Teledyne Consumer	Shareholders
Moulinex SA	Elfi SA
Kenwood Appliances PLC	De Longhi Pinguino SA
Pifco Holdings PLC	Salton, Inc.
Fisher & Paykel Appliances	Shareholders

For each of these transactions, NatCity Investments calculated the ratio of the enterprise value of the transaction to the target company's actual latest twelve month sales, EBITDA and EBIT. NatCity Investments then compared the implied multiples derived for the selected transactions with the multiples implied in the Merger for the Company based on the estimated transaction value of the Merger. All multiples for the selected transactions were based on publicly available information at the time of the announcement of the particular selected transaction. Latest twelve month sales, EBITDA and EBIT data for the Company were based on year-end 2002 projected financial statements provided by the Company's management. The following table sets forth the implied multiples for the selected transactions, as compared to the implied multiples based on the estimated transaction value of the Merger:

COMPARABLE M&A TRANSACTIONS	MEDIAN TRANSACTION MULTIPLE	IMPLIED TRANSACTION MULTIPLE
Multiple of Sales	0.5x	0.4x
Multiple of EBITDA	5.5x	5.6x
Multiple of EBIT	10.6x	13.6x

NatCity Investments noted that the implied multiples of the Company, based on the transaction value of the Merger, were generally above the median transaction multiples of the selected transactions, with the exception of the multiple of Sales.

LEVERAGED BUYOUT ANALYSES

NatCity Investments performed leveraged buyout analyses of the Company as a means of establishing the value of the Company assuming its sale to a typical financial buyer. A leveraged buyout involves the acquisition or recapitalization of a company financed primarily by incurring indebtedness that is serviced by the operating cash flow of the company after the leveraged buyout. NatCity Investments analyzed two scenarios, one using management's projections and the second using a discount to management's EBITDA projections for the reasons discussed above in "-- Discounted Cash Flow Analyses". Both scenarios assumed that the Royal shares would be purchased by a financial buyer at a price resulting in a rate of return in excess of 30% for equity investors, 20% for subordinated debt investors, including warrants, and 6-7% for senior debt investors. In both scenarios, NatCity Investments used terminal 2007 EBITDA multiples of 4.5x to 5.5x, which were derived by reference to the implied public market trading multiples of enterprise value to EBITDA of the selected companies in the Comparable Public Company Analysis as discussed above. The first scenario assumed that senior debt and total debt of the company after the leveraged buyout would not exceed 2.28 times and 3.04 times EBITDA, respectively. The second scenario assumed that senior debt and total debt of the company after the leveraged buyout would not exceed 1.83 times and 2.44 times EBITDA, respectively. NatCity Investments determined these rates of return and leverage multiples were consistent with publicly-disclosed multiples of recent leveraged buyout transactions that occurred year-to-date. These analyses implied an equity value per share range of $6.31 to $6.67 in the first scenario, and $4.63 to $4.91 in the second scenario. NatCity Investments noted that the proposed offer price of $7.37 per share was above the implied equity value reference range for the Company in both scenarios.

PREMIUMS PAID ANALYSIS

Using publicly available information, NatCity Investments reviewed 37 publicly-disclosed control acquisitions where consideration was cash or cash equivalents that were completed since January 1, 2001, and had equity values above $50 million and below $200 million. NatCity investments excluded transactions that occurred

in the technology and software and financial services industries. These transactions were chosen based on the comparable size of the transactions and the recent period in which the transactions were completed. The selected transactions may significantly differ from the Merger based on, among other things, the size of the transactions, the form of consideration paid in the transactions, the structure of the transactions, the date the transactions were consummated, and the industry the transactions occurred in. For each of the target companies involved in the transactions, NatCity Investments examined the closing stock price one day, one week and one month prior to announcement of the transaction. In addition, NatCity Investments calculated the premium of the $7.37 per share that Royal shareholders would receive to the closing prices for Royal shares for the one day, one week, and one month periods ended December 5, 2002, when the Company's closing price per share was $4.84. The following table sets forth the implied premiums for the selected control acquisitions, as compared to the implied premiums based on the price per share offered pursuant to the Merger Agreement:

PREMIUMS PAID	CASH CONSIDERATION TRANSACTIONS MEDIAN	IMPLIED MERGER PREMIUM
One Day.....	35.9%	52.3.%

One Week	45.1%	51.3%
One Month	49.3%	51.0%

NatCity Investments noted that the implied premiums for the Merger are greater than the premiums paid in the selected control acquisitions.

CONCLUSION

The summary set forth above describes the principal elements of the presentation made by NatCity Investments to the Royal Board on December 9, 2002. The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods to the particular circumstances and, therefore, the opinion is not readily susceptible to summary description. Each of the analyses conducted by NatCity Investments was carried out in order to provide a different perspective on the Merger and add to the total mix of information available. NatCity Investments did not form a conclusion as to whether any individual analysis, considered in isolation, supported or failed to support an opinion as to fairness from a financial point of view. Rather, in reaching its conclusion, NatCity Investments considered the results of the analyses in light of each other and ultimately reached its opinion based upon the results of all analyses taken as a whole. Except as indicated above, NatCity Investments did not place particular reliance or weight on any individual analysis, but instead concluded that its analyses, taken as a whole, support its determination. Accordingly, notwithstanding the separate factors summarized above, NatCity Investments believes that its analyses must be considered as a whole and that selecting portions of its analysis and the factors considered by it, without considering all analyses and factors, could create an incomplete or misleading view of the evaluation process underlying its opinion. In performing its analyses, NatCity Investments made numerous assumptions with respect to industry performance, business and economic conditions and other matters. The analyses performed by NatCity Investments are not necessarily indicative of actual value or future results, which may be significantly more or less favorable than suggested by the analyses.

MISCELLANEOUS

Pursuant to the terms of an engagement letter dated October 16, 2002, the Company has paid to NatCity Investments a fixed fee for the fairness opinion described herein. In addition, the Royal Board agreed to cause the Company to pay NatCity Investments a fee of $1,250,000 for providing financial advisory services to the Royal Board of directors that is customary in transactions of this nature, which is contingent upon consummation of the Merger, against which will be credited the fixed fee of $250,000 for the fairness opinion described herein. The Royal Board also agreed to cause the Company to reimburse NatCity Investments for its reasonable out-of-pocket expenses, and to indemnify NatCity Investments and related persons against liabilities in connection with its engagement, including liabilities under federal securities laws. The terms of the fee arrangement with NatCity Investments were negotiated at arm's-length between the Royal Board and NatCity Investments.

NatCity Investments has, in the past, provided investment-banking services to the Company for which NatCity Investments received customary compensation. In the ordinary course of business, NatCity Investments may actively trade the securities of the Company for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in those securities.

NatCity Investments, as part of its investment banking services, is regularly engaged in the valuation of businesses and securities in connection with mergers, acquisitions, underwritings, sales and distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. The Royal Board selected NatCity Investments based on its experience in transactions similar to the Merger and its reputation in the brokerage and investment communities.

INTERESTS OF CERTAIN PERSONS IN THE MERGER

In considering the recommendations of the Royal Board, you should be aware that certain members of the Royal Board and management have interests that are different from, or in addition to, your interests as a holder of Royal shares generally. Each of the members of the Royal Board was aware of these interests and considered them, among other matters, in approving the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger.

We refer you to the information under the headings "Beneficial Ownership of Royal Shares -- Security Ownership of the Company Management" for information regarding our current officers and directors and their share ownership in the Company. The Company's officers and directors who own Royal shares at the Effective Time of the Merger will be entitled, as will all Royal shareholders, to receive $7.37 per share as consideration for their Royal shares.

In addition, the rights of holders, including participants in compensation plans, of all unexercised options to purchase Royal shares and phantom stock rights will be converted into a right to receive cash for each Royal share issuable or in respect of which payment is due upon the exercise of these options and rights, respectively, in the amount of $7.37 less the applicable exercise price of these options and rights. All unvested options and phantom stock rights outstanding at the Effective Time of the Merger will vest and become immediately exercisable as a result of the transactions contemplated by the Merger Agreement. The following table shows the dollar value of the payments before taxes to be received by the directors and executive officers of the Company with respect to their options and rights that would otherwise be unvested as of March 31, 2003, and which become vested as a result of the Merger:

NAME	TOTAL PAYMENT
Michael J. Merriman	$1,080,403
John P. Rochon	36,850
E. Patrick Nalley	36,850
Joseph B. Richey, II	36,850
R. Louis Schneeberger	36,850
Jack Kahl, Jr.	36,850
Richard C. Farone	658,062
Richard G. Vasek	609,930
David M. Brickner	603,680
TOTAL	$3,136,325

Options and phantom stock awards that would otherwise be vested as of March 31, 2003 are included on the table "Security Ownership of Management" on page hereof.

Michael J. Merriman, President and Chief Executive Officer of the Company,

and the Company are parties to an Employment Agreement pursuant to which Mr. Merriman is entitled to a base salary of $400,000 per year, and participates in the Company's annual management incentive plan ("MIP"). The term of Mr. Merriman's employment agreement is for one year, with automatic renewals unless one party gives notice of its intent not to renew the agreement. In the event of Mr. Merriman's termination without cause, termination due to death or disability, termination for "good reason" (as defined in the agreement), or if the Company gives notice of its intention not to renew the agreement (collectively, a "Triggering Termination"), Mr. Merriman is entitled to severance payments equal to: (a) three times the sum of his then current annual base salary and the average annual bonus based on the prior three years (paid in six semi-annual installments); (b) a prorated portion of his MIP award for the year in which the termination occurs, if applicable; (c) a lump sum severance payment determined annually by the Royal Board (currently $1.5 million); (d) forgiveness of all amounts due on his April

2001 $542,750 note payable to the Company; and (e) continuation of his insurance and other employee benefits for 36 months. If any of these payments or any other payment made by the Company would precipitate an excise tax as a "parachute payment" under the Internal Revenue Code, Mr. Merriman is entitled to receive an amount equal to the amount of those excise taxes plus a tax "gross-up" payment. If a Triggering Termination occurred following a change-in-control (as defined in the agreement), Mr. Merriman's severance payments would be paid in a lump sum. The agreement also contained a covenant by Mr. Merriman not to compete with the Company for up to 36 months following the termination of his employment. In the event of a Triggering Termination, any and all unvested stock options and phantom stock rights held by Mr. Merriman would fully vest.

In connection with execution of the Merger Agreement and assuming the Merger is consummated, Mr. Merriman has agreed to repay all amounts due on his $542,750 note payable to the Company and forego the other benefits provided in clauses (a) through (e) above in exchange for a lump-sum payment of $742,000, plus the contingent payment described below. Moreover, in the event Mr. Merriman is terminated without "cause", as defined in his new employment agreement, after the Merger, or terminates his employment for "good reason", as defined in his new employment agreement, his severance shall be one-half the sum of his then-current base salary and the average of his annual bonus for the prior three years. The contingent payment equals 34% of the 2003 EBITDA bonus pool, payable on or before April 1, 2004. The 2003 EBITDA bonus pool shall be equal to 50% of the amount by which the Company's EBITDA exceeds $35 million, up to $42 million for fiscal year 2003, excluding bonuses and costs related to the Merger (including, but not limited to, legal and professional fees related to the Merger, non-cash write-offs, and severance costs related to 2003 terminations); provided, however, that the EBITDA bonus pool shall not exceed $3.5 million; provided, further, that, if the EBITDA attributable to the Company's business, excluding EBITDA attributable to the Telezapper product for 2003, does not equal or exceed $30 million, then no 2003 EBITDA bonus pool shall be created. All determinations of EBITDA for purposes of determining the amount of the EBITDA bonus pool and any entitlement to a contingent payment shall be made in accordance with generally accepted accounting principles applied in the United States and consistent with the Company's recent historical practices. Under Mr. Merriman's new employment agreement, he is entitled to receive a stock option for 2,000,000 shares of TechTronic in May 2003, following release of TechTronic's earnings for fiscal 2002.

The Company has entered into severance agreements with Messrs. Farone, Vasek and Brickner that are designed to retain these executives and provide for continuity of management in the event of any actual or threatened change in the control of the Company. Each agreement only becomes operative upon a "change in

control" as defined in the agreements. For three years after a change in control, if an executive's employment were terminated for reasons other than "cause" (as defined in the agreements), the executive would be entitled to receive a severance amount equal to three times of his then base salary. The Company could make an additional payment to reimburse the executives for excise tax payments, if any, triggered by the foregoing severance payments. All options and stock rights held by the executives with respect to the Company's common stock became immediately exercisable upon the date of termination of employment and remain exercisable for a period of up to three years.

In connection with the execution of the Merger Agreement, Messrs. Farone, Vasek and Brickner agreed to amend their severance agreements. In exchange for lump sum payments of $311,000, $289,000 and $251,000, respectively, and the contingent payments described below, Messrs. Farone, Vasek and Brickner each agreed to new one-year employment contracts that provide for severance payments in the event of their termination of employment for reasons other than "cause" or for "good reason", as defined in their new agreements. The severance payments equal one-half the sum of the then current salary of the executive plus the average of the annual bonus for the prior three years. The contingent payment for each officer equals 12% of the 2003 EBITDA bonus pool, payable on or before April 1, 2004. Under their new employment agreements, Messrs. Farone, Vasek and Brickner each are entitled to receive stock options for 1,000,000 shares of TechTronic in May 2003, following release of TechTronic's earnings for fiscal 2002.

The Company has change-in-control agreements with several other officers of the Company that provided severance payments to each such person equal to two or three times his or her then base salary. These individuals have also entered into new agreements that provide an aggregate lump sum payment of $807,000, plus an aggregate contingent payment equal to 30% of the 2003 EBITDA bonus pool.

GOVERNMENTAL AND REGULATORY MATTERS

Under the HSR Act and rules promulgated by the Federal Trade Commission (the "FTC"), certain acquisitions may not be consummated unless certain information has been furnished to the Antitrust Division of the United States Department of Justice and the FTC and the applicable waiting period requirements have been satisfied. The Merger is subject to these requirements.

Pursuant to the requirements of the HSR Act, TechTronic filed the required Notification and Report Forms (the "Forms") with the Antitrust Division and the FTC on January , 2003. The Company filed the Forms on January , 2003. Unless additional information is requested for either governmental agency, the statutory waiting period applicable to the Merger pursuant to the HSR Act expires at 11:59 P.M., Eastern Time, on , 2003.

The Antitrust Division and the FTC frequently scrutinize the legality of transactions under the antitrust laws. At any time before or after the consummation of any such transactions, the Antitrust Division or the FTC could, notwithstanding termination of the waiting period, take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the Merger or divestiture of assets of the Company or TechTronic. Private parties and State Attorneys General may also bring legal actions under the antitrust laws.

MATERIAL FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER

T