ROTONICS MANUFACTURING INC/DE
Form DEFM14A
December 26, 2006
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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 (Amendment No. 3)

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

Rotonics Manufacturing Inc.

(Name of Registrant as Specified In Its Charter)
Not Applicable
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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ROTONICS MANUFACTURING INC.
17022 SOUTH FIGUEROA STREET
GARDENA, CALIFORNIA 90248

December 22, 2006

Dear Stockholder:

You are cordially invited to attend a special meeting of stockholders of Rotonics Manufacturing Inc. (RMI) to be held at 10:00 a.m. (local time) on January 26, 2007, at 17022 South Figueroa Street, Gardena, California 90248.

At the special meeting, you will be asked to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, executed on August 29, 2006, among Rotonics Holding Corporation (Holding), RMI Minnesota Corporation (MergerCo) and RMI, as amended and restated on December 8, 2006 (the Merger Agreement). Pursuant to the Merger Agreement, MergerCo, a wholly-owned subsidiary of Holding formed for the purpose of effecting the merger, will be merged with and into RMI, with RMI remaining as the surviving corporation. Holding is a Minnesota corporation newly formed by Spell Capital Partners, LLC (Spell Capital) which, on completion of the merger, will be owned 75% by private equity funds managed by Spell Capital, and 25% by Sherman McKinniss (the Chairman and Chief Executive Officer of RMI). Upon completion of the merger, each issued and outstanding share of RMI s common stock (other than shares of RMI s common stock contributed by Mr. McKinniss to Holding immediately prior to the effective time of the merger, shares of RMI s common stock held by RMI or any of its subsidiaries and shares of RMI s common stock held by RMI s stockholders who perfect their appraisal rights under Delaware law) will be converted into the right to receive $3.00 in cash without interest. The consideration of $3.00 per share represents a premium of $0.50 per share, or 20%, over the $2.50 per share closing price on August 29, 2006, the day of the execution of the Merger Agreement, and a premium of $0.10 per share, or 3.4% over the $2.90 closing price of RMI s stock on December 20, 2006. Following completion of the merger, RMI will continue its operations as a privately held company.

On June 25, 2006, the Board of Directors of RMI formed a Special Committee composed of three independent directors who are not officers or employees of RMI, Holding or MergerCo and who have no financial interest in the proposed merger different from RMI s stockholders generally. The Special Committee, acting with the advice and assistance of its own independent financial advisor, evaluated the merger proposal, including the terms and conditions of the Merger Agreement, with Holding and MergerCo. The Special Committee unanimously determined that the proposed merger is substantively and procedurally fair to RMI s unaffiliated public stockholders and recommended that the Board of Directors approve of the merger. Acting on the unanimous recommendation of the Special Committee, the Board of Directors of RMI, with Mr. McKinniss and Mr. Berman abstaining, has approved and declared the Merger Agreement and the transactions contemplated thereby, including the merger, advisable, substantively and procedurally fair to and in the best interests of RMI and its unaffiliated public stockholders. Mr. McKinniss has also determined that the proposed merger is substantively and procedurally fair to the unaffiliated stockholders of RMI.

THEREFORE, THE BOARD OF DIRECTORS, WITH MR. MCKINNISS and MR. BERMAN ABSTAINING, RECOMMENDS THAT YOU VOTE FOR THE ADOPTION OF THE MERGER AGREEMENT.

In reaching their decisions, the Special Committee and the Board of Directors considered, among other things, the written presentation delivered to the Special Committee on August 14, 2006 by Duff & Phelps, LLC, the Special Committee s financial advisor, which included a summary of its fairness analysis and preliminary conclusions of fairness, and the final opinion of Duff & Phelps, dated August 29, 2006, to the effect that, based on and subject to the considerations, limitations, assumptions and qualifications set forth in the opinion, as of August 29, 2006, the $3.00 per share cash consideration to be paid to RMI s stockholders in the proposed merger was fair, from a financial point of view, to RMI s unaffiliated public stockholders (without giving effect to any impact of the proposed merger on any particular shareholder

other than in its capacity as a shareholder). A copy of Duff & Phelps written opinion is attached to the accompanying proxy statement as *Appendix B* and should be read in its entirety.

The enclosed proxy statement provides information about RMI, Holding, MergerCo, certain of their affiliates, the Merger Agreement, the proposed merger and the special meeting. A copy of the Merger Agreement is attached to the proxy statement as *Appendix A* for your information. You may obtain additional information about RMI from documents filed with the Securities and Exchange Commission.

PLEASE READ THE ENTIRE PROXY STATEMENT CAREFULLY, INCLUDING THE APPENDICES. IN PARTICULAR, BEFORE VOTING, YOU SHOULD CAREFULLY CONSIDER THE DISCUSSION IN THE SECTION OF THE PROXY STATEMENT ENTITLED SPECIAL FACTORS .

YOUR VOTE IS VERY IMPORTANT, REGARDLESS OF THE NUMBER OF SHARES YOU OWN. THE MERGER CANNOT BE COMPLETED UNLESS THE HOLDERS OF A MAJORITY OF THE OUTSTANDING SHARES OF RMI S COMMON STOCK ENTITLED TO VOTE ADOPT THE MERGER AGREEMENT. In addition, the holders of a majority of the Company s common stock not owned directly by Mr. McKinniss that are present IN PERSON OR REPRESENTED BY A PROXY and voting at the Special Meeting must vote in favor of the adoption of the Merger Agreement.

Whether or not you plan to attend the special meeting, please complete, date, sign and return the enclosed proxy card. If you complete, date, sign and return your proxy card without indicating how you wish to vote, your proxy will be counted as a vote in favor of the adoption of the Merger Agreement. If you fail to return your proxy card and fail to vote at the special meeting, the effect will be the same as a vote against the adoption of the Merger Agreement and the merger. Returning the proxy card does not deprive you of your right to attend the special meeting and vote your shares in person.

Sincerely,

Paul Tonkovich
Secretary and Director
Gardena, California

The accompanying proxy statement is dated December 22, 2006 and is first being mailed to stockholders of RMI on or about December 27, 2006.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THIS TRANSACTION, PASSED UPON THE MERITS OR FAIRNESS OF THIS TRANSACTION OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

ROTONICS MANUFACTURING INC.
17022 SOUTH FIGUEROA STREET
GARDENA, CALIFORNIA 90248

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON JANUARY 26, 2007

To the Stockholders of

Rotonics Manufacturing Inc:

Notice is hereby given that a special meeting of stockholders of Rotonics Manufacturing Inc., a Delaware corporation (RMI), will be held at 17022 South Figueroa Street, Gardena, California 90248, at 10:00 a.m. (local time) on January 26, 2007, for the following purposes:

1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger executed on August 29, 2006, as amended and restated on December 8, 2006 among Rotonics Holding Corporation (Holding), RMI Minnesota Corporation (MergerCo) and RMI, and to approve the merger contemplated by the Merger Agreement. Pursuant to the Merger Agreement, MergerCo, a wholly-owned subsidiary of Holding formed for the purpose of effecting the merger, will be merged with and into RMI, with RMI remaining as the surviving corporation. Holding is a Minnesota corporation, newly formed by Spell Capital Partners, LLC (Spell Capital) which, on completion of the merger, will be owned 75% by private equity funds managed by Spell Capital and 25% by Sherman McKinniss (the Chairman and Chief Executive Officer of RMI). Upon completion of the merger, each issued and outstanding share of RMI s common stock (other than shares of RMI s common stock contributed by Mr. McKinniss to Holding immediately prior to the effective time of the merger, shares of RMI s common stock held by RMI or any of its subsidiaries and shares of RMI s common stock held by RMI s stockholders who perfect their appraisal rights under Delaware law) will be converted into the right to receive $3.00 in cash, without interest.

2. To consider and vote upon approval of any adjournment of the special meeting, if necessary, solely for the purpose of soliciting additional proxies in favor of proposal 1.

3. To transact such other business as may properly come before the special meeting.

Only holders of record of RMI s common stock at the close of business on December 15, 2006, the record date, are entitled to notice of, and to vote at, the special meeting or any adjournments or postponements thereof.

THE SPECIAL COMMITTEE, COMPOSED OF INDEPENDENT DIRECTORS WHO ARE NOT OFFICERS OR EMPLOYEES OF RMI, HOLDING OR MERGERCO AND WHO HAVE NO FINANCIAL INTEREST IN THE PROPOSED MERGER DIFFERENT FROM RMI S STOCKHOLDERS GENERALLY, UNANIMOUSLY DETERMINED THAT THE PROPOSED MERGER IS SUBSTANTIVELY AND PROCEDURALLY FAIR TO RMI S UNAFFILIATED PUBLIC STOCKHOLDERS AND RECOMMENDED THAT THE BOARD OF DIRECTORS OF RMI APPROVE OF THE MERGER. ACTING ON THE UNANIMOUS RECOMMENDATION OF THE SPECIAL COMMITTEE, THE BOARD OF DIRECTORS OF RMI, WITH MR. MCKINNISS AND MR. BERMAN ABSTAINING, HAS APPROVED AND DECLARED THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE MERGER, ADVISABLE, SUBSTANTIVELY AND PROCEDURALLY FAIR TO AND IN THE BEST INTERESTS OF RMI AND ITS UNAFFILIATED PUBLIC STOCKHOLDERS.

THEREFORE, THE BOARD OF DIRECTORS, WITH MR. MCKINNISS AND MR. BERMAN ABSTAINING, RECOMMENDS THAT YOU VOTE FOR THE ADOPTION OF THE MERGER AGREEMENT.

Stockholders of RMI who do not vote in favor of the adoption of the Merger Agreement will have the right to seek appraisal of the fair value of their shares of RMI s common stock if the merger is completed,

but only if they submit a written demand for an appraisal before the vote is taken on the Merger Agreement and otherwise comply with Delaware law as explained in the accompanying proxy statement.

YOUR VOTE IS VERY IMPORTANT, REGARDLESS OF THE NUMBER OF SHARES YOU OWN. THE MERGER CANNOT BE COMPLETED UNLESS THE HOLDERS OF AT LEAST A MAJORITY OF THE OUTSTANDING SHARES OF RMI S COMMON STOCK ENTITLED TO VOTE ADOPT THE MERGER AGREEMENT. In addition, the holders of a majority of the Company s common stock not owned directly by Mr. McKinniss that are present IN PERSON OR REPRESENTED BY A PROXY and voting at the Special Meeting must vote in favor of the adoption of the Merger Agreement.

Whether or not you plan to attend the special meeting, please complete, date, sign and return the enclosed proxy card. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for that purpose. If you complete, date, sign and return your proxy card without indicating how you wish to vote, your proxy will be counted as a vote in favor of the adoption of the Merger Agreement. If you fail to return your proxy card and fail to vote at the special meeting, the effect will be the same as a vote against the adoption of the Merger Agreement. Returning the proxy card does not deprive you of your right to attend the special meeting and vote your shares in person. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the special meeting, you must obtain from the record holder a proxy issued in your name.

The Merger Agreement is described in the accompanying proxy statement, which you are urged to read carefully. A copy of the Merger Agreement is attached to the accompanying proxy statement as *Appendix A* for your information.

By Order of the Board of Directors,

Paul Tonkovich
Secretary

Gardena, California
December 22, 2006

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QUESTIONS AND ANSWERS ABOUT THE MERGER

THIS QUESTION AND ANSWER SECTION, TOGETHER WITH THE SUMMARY SECTION THAT FOLLOWS, HIGHLIGHT SELECTED INFORMATION FROM THIS PROXY STATEMENT, INCLUDING THE MATERIAL TERMS OF THE PROPOSED MERGER. FOR A MORE COMPLETE DESCRIPTION, YOU SHOULD CAREFULLY READ THIS PROXY STATEMENT AND ALL OF ITS APPENDICES BEFORE YOU VOTE. FOR YOUR CONVENIENCE, PAGE REFERENCES ARE INCLUDED IN PARENTHESES AT VARIOUS POINTS IN THIS QUESTION AND ANSWER SECTION AND IN THE SUMMARY SECTION TO DIRECT YOU TO A MORE DETAILED DESCRIPTION IN THIS PROXY STATEMENT OF THE TOPICS PRESENTED. IN ADDITION, IMPORTANT INFORMATION ABOUT ROTONICS MANUFACTURING INC. IS PROVIDED IN THE ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED JUNE 30, 2006 INCORPORATED BY REFERENCE IN THIS PROXY STATEMENT.

AS USED IN THIS PROXY STATEMENT, RMI AND THE COMPANY REFER TO ROTONICS MANUFACTURING INC., A DELAWARE CORPORATION, MERGERCO REFERS TO RMI MINNESOTA CORPORATION, A DELAWARE CORPORATION, HOLDING REFERS TO ROTONICS HOLDING CORPORATION, A MINNESOTA CORPORATION.

Q: WHEN AND WHERE IS THE SPECIAL MEETING?

A: The special meeting of RMI s stockholders will be held at 17022 South Figueroa Street, Gardena, California 90248, at 10:00 a.m. (local time) on January 26, 2007.

Q: WHAT AM I BEING ASKED TO VOTE UPON? (see pages 5 and 56)

A: You are being asked to consider and vote upon a proposal to adopt the Merger Agreement among RMI, Holding and MergerCo. Under the Merger Agreement, MergerCo will be merged with and into RMI, with RMI surviving as a wholly-owned subsidiary of Holding. If the Merger Agreement is adopted and the merger is completed, RMI will no longer be a publicly-held corporation and you will no longer own shares of RMI s common stock. For more information on the Merger Agreement and the transactions contemplated thereby, see Summary and Merger Agreement .

Q: WHO ARE THE PARTIES TO THE MERGER? (see page 58)

A: The parties to the merger are RMI, Holding and MergerCo. RMI is a Delaware corporation that manufactures rotomolded plastic products. MergerCo, is a Delaware corporation that is wholly owned by Holding. Holding is a Minnesota corporation newly formed by Spell Capital which, on completion of the merger, will be owned 75% by funds managed by Spell Capital and 25% by Sherman McKinniss (the Chairman and Chief Executive Officer of RMI). Holding and MergerCo were formed solely for purposes of completing the merger and have not participated in any activities to date other than those incident to their formation and the transactions contemplated by the Merger Agreement. For more information on the parties to the merger, see Participants .

Q: WHO CAN VOTE ON THE MERGER AGREEMENT?

A: Holders of RMI s common stock at the close of business on December 15, 2006, the record date for the special meeting, may vote in person or by proxy on the Merger Agreement at the special meeting.

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

A: The adoption of the Merger Agreement requires the affirmative vote of the holders of at least a majority of the outstanding shares of RMI s common stock entitled to vote. In addition, the holders of a majority of the Company s common stock not owned directly by Mr. McKinniss that are present in person or represe nted by a proxy and voting at the Special Meeting must vote in favor of the adoption

of the Merger Agreement. The transaction has not been structured to also require the affirmative vote of a majority of all shares held by unaffiliated public stockholders. As of the record date, Mr. McKinniss, who has agreed to vote his RMI shares in favor of adoption of the Merger Agreement, holds approximately 45.7% of RMI s common stock result, the adoption of the Merger Agreement requires the affirmative vote of the holders of approximately an additional 5% of the outstanding shares of RMI s common stock.

Q: WHAT WILL I RECEIVE IN THE MERGER? (see pages 60 and 61)

A: Upon completion of the merger, you will be entitled to receive cash in an amount equal to $3.00, without interest, less applicable withholding taxes, for each share of RMI s common stock you own. For more information on what you will receive in the merger, see Merger Agreement Conversion of Common Stock and Payment for Shares .

Q: WHY IS THE BOARD OF DIRECTORS RECOMMENDING THAT I VOTE IN FAVOR OF THE MERGER AGREEMENT? (see page 18)

A: On June 25, 2006, the Board of Directors of RMI formed a Special Committee, composed of Jules Sandford, Larry Snyder and Brent Brown. All three members of the Special Committee are independent directors; none are officers or employees of RMI, Holding or MergerCo and they have no financial interest in the proposed merger different from RMI s stockholders generally. The Special Committee, acting with the advice and assistance of its own financial advisor, evaluated the merger proposal, including the terms and conditions of the Merger Agreement. The Special Committee unanimously determined that the proposed merger is substantively and procedurally fair to RMI s unaffiliated public stockholders and recommended the Board of Directors of RMI approve of the Merger. The Special Committee has based this determination, in part, on the written presentation delivered to the Special Committee on August 14, 2006 by Duff & Phelps, the Special Committee s financial advisor, which included a summary of its fairness analysis and preliminary conclusions of fairness, and the final opinion of Duff & Phelps, dated August 29, 2006, to the effect that, based on and subject to the considerations, limitations, assumptions and qualifications set forth in the opinion, as of August 29, 2006, the $3.00 per share cash consideration to be paid to RMI s stockholders in the proposed merger was fair, from a financial point of view, to RMI s unaffiliated public stockholders. Acting on the unanimous recommendation of the Special Committee, the Board of Directors, with Mr. McKinniss and Mr. Berman abstaining, has approved and declared the Merger Agreement and the transactions contemplated thereby, including the merger, advisable, substantively and procedurally fair to and in the best interests of RMI and its unaffiliated public stockholders. THEREFORE, THE BOARD OF DIRECTORS, WITH MR. MCKINNISS AND MR. BERMAN ABSTAINING, RECOMMENDS THAT YOU VOTE FOR THE ADOPTION OF THE MERGER AGREEMENT.

Q: DO THE DIRECTORS AND EXECUTIVE OFFICERS OF RMI HAVE INTERESTS IN THE MERGER THAT ARE DIFFERENT FROM MINE? (see page 39)

A: In considering the RMI board of directors recommendation that you vote to adopt the Merger Agreement, you should be aware that some RMI officers and directors may have interests in the merger that are different from, or in addition to, your interests. Among other things, these interests include:

- Mr. McKinniss will contribute to Holding shares of common stock of RMI in exchange for the 25% of the outstanding capital stock of Holding, and those shares will be subject to a different tax treatment than the shares exchanges for cash payment.

- Berman Capital, LLC, financial advisor to RMI, will receive a payment of up to $352,480 upon successful completion of the merger. Mr. Berman, a director of RMI, is the sole owner of Berman Capital, LLC.

- Following the Merger, RMI will continue to be run and managed by the Company s existing executive officers.

- The members of the Special Committee will receive fee of approximately $7,506 in the aggregate for their services as the members of the Special Committee.

For more information, see Special Factors , particularly Interests of RMI s Directors and Officers in the Merger .

Q: ARE THERE RISKS TO BE CONSIDERED? (see page 39)

A: Under the terms of the Merger Agreement, the per share cash consideration of $3.00 will not change even if the market price of RMI s common stock changes before the merger is completed. If the merger is completed, public stockholders of RMI will not participate in any future earnings, losses, growth or decline of RMI. For other factors to be considered, see Special Factors , particularly Effects of the Merger; Plans or Proposals After the Merger and Interests of RMI s Directors and Officers in the Merger .

Q: WHEN DO YOU EXPECT THE MERGER TO BE COMPLETED?

A: The parties to the Merger Agreement are working toward completing the merger as quickly as possible. If RMI s stockholders approve the Merger Agreement and the other conditions to the merger are satisfied or waived, the merger is expected to be completed in the first calendar quarter of 2007.

Q: WHAT ARE THE U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER TO ME? (see page 47)

A: The receipt of cash for shares of common stock in the merger will be a taxable transaction for U.S. federal income tax purposes and may also be a taxable transaction under applicable state, local, foreign or other tax laws. See Special Factors Material U.S. Federal Income Tax Consequences .

TAX MATTERS ARE VERY COMPLEX, AND THE TAX CONSEQUENCES OF THE MERGER TO YOU WILL DEPEND ON THE FACTS OF YOUR OWN SITUATION. YOU SHOULD CONSULT YOUR TAX ADVISOR FOR A FULL UNDERSTANDING OF THE TAX CONSEQUENCES OF THE MERGER TO YOU.

Q: WHAT DO I NEED TO DO NOW?

A: You should read this proxy statement carefully, including its appendices, and consider how the merger affects you. Then, mail your completed, dated and signed proxy card in the enclosed return envelope as soon as possible or vote by telephone in accordance with the instructions on the enclosed proxy card so that your shares can be represented at the special meeting of RMI s stockholders.

Q: WHAT HAPPENS IF I DO NOT RETURN A PROXY CARD?

A: The failure to return your proxy card will have the same effect as voting AGAINST the Merger Agreement. If you respond but do not indicate how you want to vote, your proxy will be counted as a vote FOR the Merger Agreement. If you respond and indicate that you are abstaining from voting, your proxy will have the same effect as a vote AGAINST the Merger Agreement.

Q: MAY I VOTE IN PERSON?

A: Yes. You may attend the special meeting of RMI s stockholders and vote your shares in person whether or not you sign and return your proxy card. If your shares are held of record by a broker, bank or other nominee and you wish to vote at the special meeting, you must obtain a proxy from the record holder.

Q: MAY I CHANGE MY VOTE AFTER I HAVE MAILED MY SIGNED PROXY CARD?

A: Yes. You may change your vote at any time before your proxy card is voted at the special meeting. You can do this in one of three ways. First, you can send a written notice stating that you would like to revoke your proxy. Second, you can complete and submit a new proxy card. Third, you can attend the special meeting and vote in person. Your attendance alone will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change those instructions.

Q: IF MY SHARES ARE HELD IN STREET NAME BY MY BROKER, WILL MY BROKER VOTE MY SHARES FOR ME?

A: Your broker will not be able to vote your shares without instructions from you. You should instruct your broker to vote your shares, following the procedures provided by your broker.

Q: SHOULD I SEND IN MY STOCK CERTIFICATES NOW?

A: No. After the merger is completed, you will receive written instructions for exchanging your shares of RMI s common stock for a per share cash payment of $3.00 without interest, less applicable withholding taxes.

Q: WHAT RIGHTS DO I HAVE TO SEEK AN APPRAISAL OF MY SHARES? (see page 49)

A: If you wish, you may seek an appraisal of the fair value of your shares, but only if you comply with all requirements of Delaware law as described on pages 49 through 52 and in *Appendix C* of this proxy statement. Depending upon the determination of the Delaware Court of Chancery, the appraised fair value of your shares of RMI s common stock, which you will receive if you seek an appraisal, may be less than, equal to or more than the per share cash payment of $3.00 to be paid in the merger.

Q: WHO CAN HELP ANSWER MY QUESTIONS?

A: The information provided above in question-and-answer format is merely a summary of the information contained in this proxy statement. You should carefully read the entire proxy statement, including the appendices. If you would like additional copies, without charge, of this proxy statement or if you have questions about the merger, including the procedures for voting your shares, you should contact:

Rotonics Manufacturing Inc.
Attention: Douglas W. Russell
17022 South Figueroa Street
Gardena, California 90248
Tel: (310) 538-4932

SUMMARY

THE MERGER; CONVERSION OF COMMON STOCK (see page 60)

Under the Merger Agreement between RMI, Holding and MergerCo, Holding will acquire 75% of the currently outstanding capital stock of Rotonics (including all shares held by the public) through a merger (the merger) of RMI with and into MergerCo for $3.00 per share in cash. Holding is a Minnesota corporation newly formed by Spell Capital and affiliated entities. As required by the merger proposal made by Spell Capital, Mr. McKinniss, Chief Executive Officer of RMI will contribute 25% of the outstanding shares of RMI to Holding in exchange for the 25% of the outstanding capital stock of Holding pursuant to a Share Exchange and Voting Agreement (the voting agreement) entered into simultaneously with the execution of the Merger Agreement.

Under the Merger Agreement, MergerCo will merge with and into RMI, and each issued and outstanding share of RMI s common stock (other than shares of RMI common stock contributed by Mr. McKinniss to Holding shares of RMI common stock held by RMI or any of its subsidiaries, and shares of RMI common stock held by RMI stockholders who perfect their appraisal rights under Delaware law) will be converted into the right to receive $3.00 in cash without interest (and less applicable withholding taxes). The transaction price of $3.00 per share represents a premium of $0.50 per share, or 20%, over the $2.50 closing price of RMI s stock on August 29, 2006, the day of the execution of the Merger Agreement and a premium of $0.10 per share, or 3.4% over the $2.90 closing price of RMI s stock on December 20, 2006. Following completion of the merger, RMI will continue its operations as a privately held company.

The merger will become effective upon the filing of a certificate of merger with the Secretary of State of the State of Delaware or at such later time as may be agreed by the parties in writing and specified in the certificate of merger. The merger is subject to the receipt of financing necessary to complete the transaction on terms acceptable to Buyer, the approval of RMI s stockholders and other customary conditions. The parties intend to complete the merger as soon as practicable once all conditions to the merger have been satisfied or waived, which they anticipate will be in the fourth calendar quarter of 2006. Upon completion of the merger, RMI will remain as the surviving corporation and will be a wholly-owned subsidiary of Holding, and MergerCo will cease to exist.

RECOMMENDATION OF THE BOARD OF DIRECTORS AND THE SPECIAL COMMITTEE (see page 22)

On June 25, 2006, the Board of Directors formed a Special Committee, composed of three independent directors who are not officers or employees of RMI, Holding or MergerCo and who have no financial interest in the proposed merger different from RMI s stockholders generally.

The Special Committee, acting with the advice and assistance of its own independent financial advisor, evaluated the merger proposal, including the terms and conditions of the Merger Agreement. The Special Committee unanimously determined that the proposed merger is substantively and procedurally fair to RMI s unaffiliated public stockholders.

The Special Committee has based this determination, in part, on the written presentation delivered to the Special Committee on August 14, 2006 by Duff & Phelps which included summary of its fairness analysis and preliminary conclusions of fairness, and the final opinion of Duff & Phelps, dated August 29, 2006, to the effect that, based on and subject to the considerations, limitations, assumptions and qualifications set forth in the opinion, the $3.00 per share cash consideration to be paid to RMI s stockholders in the proposed merger was fair, from a financial point of view, to RMI s unaffiliated public stockholders.

Acting on the unanimous recommendation of the Special Committee, the Board of Directors, with Mr. McKinniss and Mr. Berman abstaining, has approved and declared the Merger Agreement and the

transactions contemplated thereby, including the merger, advisable, substantively and procedurally fair to and in the best interests of RMI and its unaffiliated public stockholders.

THEREFORE, THE BOARD OF DIRECTORS, WITH MR. MCKINNISS AND MR. BERMAN ABSTAINING, RECOMMENDS THAT YOU VOTE FOR THE ADOPTION OF THE MERGER AGREEMENT.

POSITION OF SHERMAN MCKINNISS AS TO THE FAIRNESS OF THE MERGER (see page 23)

Sherman McKinniss believes that the consideration to be received in the merger by RMI s unaffiliated public stockholders is fair to such stockholders and that the merger is substantively and procedurally fair to RMI s unaffiliated public stockholders.

OPINION OF FINANCIAL ADVISOR TO THE SPECIAL COMMITTEE (see page 27)

In deciding to recommend the approval of the Merger Agreement, one of the factors that the Special Committee considered was the written presentation delivered to the Special Committee on August 14, 2006 by Duff & Phelps which included summary of its fairness analysis and preliminary conclusions of fairness, and the final opinion of Duff & Phelps, dated August 29, 2006, to the effect that, based on and subject to the considerations, limitations, assumptions and qualifications set forth in the opinion, the $3.00 per share cash consideration to be paid to RMI s stockholders in the proposed merger was fair, from a financial point of view, to RMI s unaffiliated public stockholders. The complete Duff & Phelps opinion, including applicable considerations, limitations, assumptions and qualifications, describes the basis for the opinion and is attached as *Appendix B* to this proxy statement.

Pursuant to the terms of Duff & Phelps s engagement, $125,000 has been paid by RMI to Duff & Phelps for work it performed to render the Fairness Opinion, plus certain out of pocket expenses. Such payment was not conditioned on the completion of the merger.

YOU ARE URGED TO READ THE ENTIRE DUFF & PHELPS OPINION CAREFULLY. DUFF & PHELPS OPINION WAS ADDRESSED TO THE SPECIAL COMMITTEE FOR THE PURPOSES OF THEIR EVALUATION OF THE MERGER AND DOES NOT CONSTITUTE A RECOMMENDATION TO ANY RMI STOCKHOLDER AS TO HOW TO VOTE WITH RESPECT TO THE PROPOSED MERGER.

INTERESTS OF RMI S DIRECTORS AND OFFICERS IN THE MERGER (see page 39)

When considering the recommendation of the Special Committee and the Board of Directors that you vote for the adoption of the Merger Agreement, you should be aware that certain of RMI s directors and officers have interests in the merger that are different from, or in addition to, yours, including:

- Mr. McKinniss will contribute to Holding shares of common stock of RMI in exchange for the 25% of the outstanding capital stock of Holding, and those shares will be subject to a different tax treatment than the shares exchanges for cash payment;

- The Board of Directors of RMI has approved of a letter agreement with Berman Capital, LLC, financial advisor to RMI, that provides for compensation of up to $352,480 upon successful completion of the Merger, less a non-refundable retainer of $10,000 paid upon the engagement. Mr. Marc Berman, a director of RMI, is the sole owner of Berman Capital and therefore will control the distribution of the fee received by Berman Capital. Together with Mr. McKinniss, Mr. Berman abstained on the vote to approve the merger;

- following the merger, RMI will continue to be run and managed by the Company s existing executive officers; and

- the Board of Directors resolved to pay to the members of the Special Committee fees of $7,506 until the signing of a definitive Merger Agreement, based on a predetermined hourly rate, for their time and effort as the members of the Special Committee.

As a result of the merger, Sherman McKinniss, RMI s Chairman and Chief Executive Officer, will indirectly own 25% of RMI s common stock and funds managed by Spell Capital and certain other private investors will indirectly own 75% of RMI s common stock. Each member of the Board of Directors was aware of this result when deciding to approve the merger and the Merger Agreement and recommend that you vote in favor of the proposed transaction, as were the members of the Special Committee when evaluating the terms of the proposed transaction and deciding to recommend such approval to the Board of Directors.

Pursuant to the Voting Agreement, Mr. McKinniss has agreed to: (a) vote his shares: (i) in favor of the adoption of each of the Company Proposals as defined in the Merger Agreement; (ii) against any proposal relating to any action or agreement that would result in a breach of any covenant, representation or warranty or any other obligation or agreement of Rotonics under the Merger Agreement or which would result in any of the conditions to Rotonics obligations under the Merger Agreement not being fulfilled; (iii) in favor of any other matter relating to the consummation of the transactions contemplated by the Merger Agreement; and (iv) against any other action which is intended or would reasonably be expected to impede, interfere with, delay, postpone, discourage or materially adversely affect the transactions contemplated by the Merger Agreement; and (b) granted irrevocable proxy to Holding granting Holding the right to vote such shares as specified in clause (a). This proxy terminates upon the earlier to occur of: (i) termination of the Merger Agreement; and (ii) four months from the date of the Voting Agreement. Pursuant to the Voting Agreement, Mr. McKinniss is also required to indemnify Holding against certain liabilities arising from breaches by RMI of its representations, warranties and covenants contained in the Merger Agreement, up to an aggregate total of $1 million.

As a condition to the merger, Mr. McKinniss must enter into an employment agreement with a term of one year after completion of the merger. The compensation payable to Mr. McKinniss under this employment agreement is less than under his current agreement. The terms of Mr. McKinniss employment agreement are described in Merger Agreement Other Agreements beginning on page 70 below.

Under the Shareholders Agreement to be entered into by Mr. McKinniss, Holding and the other shareholders of Holding on consummation of the merger, so long as Mr. McKinniss owns all of his original shares of Holding he will receive for contributing to Holding shares of common stock of the Company or at least 15% of the outstanding shares of Holding, the private equity funds managed by Spell Capital have agreed to vote their shares of Holding in favor of the election of Mr. McKinniss and one other nominee of Mr. McKinniss reasonably acceptable to such private equity funds as directors of Holding. A majority of the directors of Holding will be elected by private equity funds managed by Spell Capital. Other terms of the Shareholders Agreement are described in Merger Agreement Other Agreements beginning on page 71 below.

The current RMI employment agreements with Mr. Douglas W. Russell and Dawn J. Whitney will remain in effect following completion of the merger.

MERGER FINANCING (see page 43)

The estimated total amount of funds necessary to consummate the merger and the related transactions will be approximately $31 million, consisting of: (1) approximately $27 million to fund the payment of the merger consideration; (2) approximately $2 million to repay certain existing indebtedness of RMI; and (3) approximately $2 million to pay transaction fees and expenses.

It is anticipated that these funds will be obtained from equity and debt financings as follows:

- Mr. McKinniss has agreed to contribute 25% of the outstanding RMI common stock to Holding in exchange for an equal interest in the equity securities of Holding pursuant to a Voting and Exchange Agreement between Holding and Mr. McKinniss subject to the terms and conditions set forth therein;

- private equity funds managed by Spell Capital and other investors are expected to contribute equity capital of approximately $10 million; and

- Holding anticipates raising approximately $21 million through a combination of senior secured and mezzanine debt financing.

THE SPECIAL MEETING (see page 56)

Time, Date and Place. A special meeting of the stockholders of RMI will be held at 17022 South Figueroa Street, Gardena, California 90248, at 10:00 a.m. (local time) on January 26, 2007, to consider and vote upon the proposal to adopt the Merger Agreement and to adjourn the special meeting, if necessary, to solicit additional proxies in favor of voting to adopt the Merger Agreement.

Record Date and Voting Information. You are entitled to vote at the special meeting if you owned shares of RMI s common stock at the close of business on December 15, 2006, which is the record date for the special meeting. You will have one vote at the special meeting for each share of RMI s common stock you owned at the close of business on the record date. On the record date, there were 11,752,265 of RMI s common stock entitled to be voted at the special meeting.

Required Vote. The Merger Agreement provides that the affirmative vote of the holders of at least a majority of the shares of RMI s common stock outstanding at the close of business on the record date is required to adopt the Merger Agreement. In addition, the holders of a majority of the Company s common stock not owned directly by Mr. McKinniss that are present in person or represented by a proxy and voting at the Special Meeting must vote in favor of the adoption of the Merger Agreement. The transaction has not been structured to also require the affirmative vote of a majority of all shares held by unaffiliated public stockholders. Abstentions and broker non-votes are equivalent to votes cast against the proposal. As of the record date, Mr. McKinniss holds approximately 45.7% of RMI s common stock, and has agreed with Spell Capital to vote his Shares in favor of the merger and the adoption of the Merger Agreement. As a result, the adoption of the Merger Agreement will require the affirmative of the holders of approximately an additional 5% of the outstanding shares of RMI common stock.

Shares Held By Management. The other directors and executive officers of RMI, excluding Mr. McKinniss, collectively own approximately 5.1 % of RMI s common stock. RMI expects them to vote their shares of RMI s common stock in favor of the Merger Agreement although they are not contractually or otherwise obligated to do so.

APPRAISAL RIGHTS (see page 49)

RMI is a corporation organized under Delaware law. Under Delaware law, if you do not vote in favor of the merger and instead follow the appropriate procedures for demanding appraisal rights as described on pages 49 through 52 and in *Appendix C*, you will receive a cash payment for the fair value of your shares of RMI s common stock, as determined by the Delaware Court of Chancery.

If you seek appraisal rights, you should be aware that the price determined by the Delaware Court of Chancery may be less than, equal to or more than the $3.00 in cash you would have received for each of your shares in the merger if you had not exercised your appraisal rights.

Generally, in order to exercise appraisal rights, you must:

- make written demand for appraisal in compliance with Delaware law before the stockholder vote on the Merger Agreement; and

- not vote for the adoption of the Merger Agreement.

Merely voting against the adoption of the Merger Agreement will not perfect your appraisal rights under Delaware law. *Appendix C* to this proxy statement contains the Delaware statute relating to your appraisal rights.

IF YOU WANT TO EXERCISE YOUR APPRAISAL RIGHTS, PLEASE READ AND CAREFULLY FOLLOW THE PROCEDURES DESCRIBED ON PAGES 49 THROUGH 52 AND IN *APPENDIX C*. FAILURE TO TAKE ALL OF THE STEPS REQUIRED UNDER DELAWARE LAW MAY RESULT IN THE LOSS OF YOUR APPRAISAL RIGHTS.

THE MERGER AGREEMENT (see page 60)

The Merger Agreement, including the conditions to the closing of the merger, is described on pages A-1 through A-34 and is attached to this proxy statement as *Appendix A* for your information. You should read carefully the entire Merger Agreement as it is the legal document that governs the merger.

CONDITIONS TO COMPLETING THE MERGER (see page 66)

The Merger Agreement and the merger are subject to approval by the holders of a majority of the outstanding shares of RMI s common stock and a majority of the stock not owned directly by Mr. McKinniss that are present and voting at the meeting, as well as other conditions, including, that the debt financing necessary to complete the merger has been obtained on terms acceptable to Holding that no court or governmental entity has imposed an order or injunction prohibiting the merger, that RMI has received identified third-party consents and approvals, that the holders of no more than 5% of the outstanding shares shall have delivered to the Company a demand for appraisal of such shares in accordance with Section 262 of the Delaware General Corporation Law, RMI s working capital has to be materially consistent with its projections, RMI s outstanding borrowing must not exceed $1.5 million, plus certain capital expenditures and transaction expenses paid in cash prior to closing, as well as other conditions described in Merger Agreement Conditions to Complete the Merger .

LIMITATION ON CONSIDERING OTHER ACQUISITION PROPOSALS (see page 65)

RMI has agreed that it will not, and will cause its subsidiaries and will direct its officers, directors, representatives and agents not to, take specified actions relating to other proposals to acquire RMI, including that it will not initiate, encourage or solicit the making or submission of any alternative acquisition proposal or, except in accordance with the terms of the Merger Agreement as described below, participate in any discussions or negotiations with, or furnish or disclose any non-public information to, any person in connection with any alternative acquisition proposal.

So long as RMI has not breached the applicable provisions of the Merger Agreement, prior to the special meeting, RMI, in response to an unsolicited alternative acquisition proposal, may, subject to compliance with certain conditions, take specified actions, including, if the alternative acquisition proposal is or could be reasonably anticipated to lead to a superior proposal (as defined in the Merger Agreement), participating in discussions or negotiations with, or furnishing or disclosing information to, any person making such unsolicited alternative acquisition proposal.

RMI has agreed that neither the Board of Directors nor any committee thereof will: (1) amend, modify or withdraw its recommendation of the merger and the Merger Agreement or approve or propose to approve or recommend, any alternative acquisition proposal; or (2) cause RMI or any of its subsidiaries

to enter into and approve any letter of intent, agreement in principle, memorandum of understanding, term sheet or similar document or a definitive agreement relating to any alternative acquisition proposal, except that the Board of Directors or any committee thereof may recommend to its stockholders an alternative acquisition proposal and in connection therewith amend, modify or withdraw its recommendation of the merger, and may terminate the Merger Agreement if the Board of Directors has received an alternative acquisition proposal that it has determined in good faith, after having consulted with its outside legal counsel and its independent financial advisor, is a superior proposal, and so long as RMI has not breached the applicable provisions of the Merger Agreement.

If the Board of Directors recommends to its stockholders an alternative acquisition proposal, Holding has the right to terminate the Merger Agreement.

TERMINATION (see page 68)

RMI, Holding and MergerCo may terminate the Merger Agreement at any time prior to the effective time of the merger, whether before or after the stockholders of RMI have adopted the Merger Agreement, upon mutual written consent.

Either RMI or Holding may terminate the Merger Agreement at any time prior to the effective time of the merger, whether before or after the stockholders of RMI have approved the Merger Agreement, if:

- the merger has not occurred on or prior to January 31, 2007, provided, however, the right to terminate the Merger Agreement pursuant to this provision is not available to any party whose failure to fulfill any of its obligation under the Merger Agreement has resulted in the failure of the merger to be consummated by such date;

- any court or other governmental entity has issued a final and nonappealable order permanently restraining, enjoining or otherwise prohibiting the merger;

- the approval of the majority of RMI s outstanding common stock to adopt and approve the Merger Agreement shall not have been obtained;

- the approval of a majority of RMI s stock not owned by Mr. McKinniss present and voting at the Special Meeting shall not have been obtained.

RMI may terminate the Merger Agreement if:

- RMI receives a superior proposal: (1) that the Board of Directors or any committee thereof approves or recommends, or proposes to approve or recommend; or (2) relating to which the Board of Directors or any committee thereof causes RMI or any of its subsidiaries to enter into and approve any letter of intent, agreement in principle, memorandum of understanding, term sheet or similar document or a definitive agreement (other than a typical confidentiality agreement), in each case provided that RMI has complied with its general obligations limiting its consideration of alternative acquisition proposals as set forth below in The Merger Agreement Limitation On Considering Other Acquisition Proposals and prior to or contemporaneously with such termination RMI pays the termination fee set forth below in Termination Fee; Expense Reimbursement ;

- any of the representations or warranties of Holding and MergerCo in the Merger Agreement fail to be true and correct in all material respects, or Holding or MergerCo breach any of their covenants or other agreements in the Merger Agreement, and, in each case, the failure or breach would be incurable or, if curable, is not cured within 10 business days following Holding s or MergerCo s receipt of written notice of the breach from RMI; or

Holding may terminate the Merger Agreement if:

- any of the representations or warranties of RMI in the Merger Agreement fail to be true and correct in all material respects, or RMI breaches any of its covenants or other agreements in the Merger Agreement, and, in each case, the failure or breach would be incurable or, if curable, is not cured within 10 business days following RMI s receipt of written notice of the breach from Holding;

- the Board of Directors withdraws or modifies, in a way that is adverse to Holding, the approval, adoption or recommendation, as the case may be, of the merger or the Merger Agreement or fails to reconfirm its recommendation within 15 days after a written request to do so; or

- the Board of Directors recommends an alternative acquisition proposal to RMI s stockholders.

TERMINATION FEE; EXPENSE REIMBURSEMENT (see page 69)

RMI has agreed to pay to Holding: (1) up to a maximum of $500,000 its the out-of-pocket expenses related to the merger; or (2) a termination fee equal to $1.5 million, in each case under certain instances upon termination of the Merger Agreement. In addition, Holding agreed to pay to RMI up to a maximum of $500,000 its out-of-pocket expenses related to the merger under certain limited circumstances.

CERTAIN EFFECTS OF THE MERGER (see page 38)

Upon completion of the merger, Holding will own 100% of the outstanding common stock of RMI. Subsequent to the merger, RMI s current stockholders (other than Sherman McKinniss) will cease to have ownership interests in RMI or rights as RMI s stockholders other than a right to receive the merger consideration of $3.00 per share.

In addition, RMI will be a privately held corporation and there will be no public market for its common stock. RMI s common stock will cease to be quoted on the American Stock Exchange, and the registration of RMI s common stock under the Securities Exchange Act of 1934, as amended, will be terminated.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES (see page 47)

The receipt of cash for shares of RMI s common stock in the merger will be a taxable transaction for U.S. federal income tax purposes and may also be a taxable transaction under applicable state, local, foreign or other tax laws. Generally, you will recognize gain or loss for these purposes equal to the difference between $3.00 per share and your tax basis for the shares of common stock that you exchange in the merger.

TAX MATTERS ARE VERY COMPLEX AND THE TAX CONSEQUENCES OF THE MERGER TO YOU WILL DEPEND ON THE FACTS OF YOUR OWN SITUATION. YOU SHOULD CONSULT YOUR TAX ADVISOR FOR A FULL UNDERSTANDING OF THE TAX CONSEQUENCES OF THE MERGER TO YOU.

LITIGATION CHALLENGING THE MERGER (see page 48)

On September 13, 2006, following the announcement of the Merger Agreement on August 30, 2006, a person alleging that he is a stockholder of RMI filed a putative class action lawsuit challenging aspects of the proposed Merger. The lawsuit, filed in the Superior Court of California, County of Los Angeles, names RMI and eight officers and directors of the Company, together with Holding and Spell Capital Partners Fund III, LP, as defendants. Plaintiff asserts a cause of action for breach of fiduciary duty and self-dealing, and a cause of action of aiding and abetting breach of fiduciary duty. In the complaint, plaintiff alleges generally that the proposed Merger resulted from unfair dealing and the merger consideration of $3.00 was an inadequate purchase price.

The complaint seeks certification as a class action and various forms of declaratory, injunctive and monetary relief, including an injunction against consummation of the merger or, in the alternative, rescission of the transaction and imposition of a constructive trust.

The defendants deny any wrongdoing, and believe that the action is without merit. The plaintiff and the defendants have executed a written settlement agreement that was presented to the court for approval. The settlement requires a change to the stockholder voting requirement to approve the Merger and expanded disclosures regarding the factual background of the Merger, which are reflected in this Proxy Statement. Defendants agreed not to oppose a request for attorneys fees and reimbursement of expenses in an amount not exceeding $160,000. Defendants expect RMI's directors' and officers' insurance carrier to pay that amount. The parties to the litigation have filed a joint motion for approval of the settlement, supported by a detailed stipulation that all parties have signed. The motion and the stipulation are on file with Department 323 of the court, which is located at 600 South Commonwealth Avenue, Los Angeles, California, and are available for public review.

SPECIAL FACTORS

BACKGROUND OF THE MERGER

In 2005, RMI began to explore a possible acquisition of the Company. The Company began to explore the alternative of an acquisition because of its concerns about the risks associated with remaining an independent public company. These risks included its increasing cost of doing business, including significant increases in raw material prices and the cost of utilities and natural gas, the Company s continuing need for debt financing, the amount of which had not declined in fiscal 2006, the significant cost of compliance with the requirements of the Sarbanes-Oxley Act, the fact that the Company s stock is thinly traded and does not provide meaningful liquidity to Company stockholders, and is not covered by any financial analysts, the increasingly competitive environment the Company operates in and the Company s belief that many companies in the plastics industry have failed in recent years, as well as the lack of a successor to Sherman McKinniss, who is 70 years old and has served as the Company s Chairman and CEO since 1991 and is the largest individual stockholder of RMI. The Company believed all of these factors increased the risk to the Company and its stockholders of the Company remaining an independent public company.

To explore strategic alternatives, the Company considered Berman Capital, which had in the past assisted the Company to complete several small acquisitions, and another investment bank which submitted a formal proposal to act on behalf of the Company. RMI also held informal discussions with a third investment bank based in the Chicago, Illinois area. The Company selected Berman Capital because of Mr. Berman s familiarity with the plastics industry, his history of working effectively with the Company, competitive nature of his fees, as well as his experience assisting in the sales of companies while maintaining the confidentiality of a possible sale, which was of significant importance to the Company so that relationships with customers, suppliers and employees would not be disrupted.

To assist the Company in its efforts to explore strategic alternatives, Berman Capital (of which Marc Berman, a director of RMI, is the sole owner), contacted potential strategic and financial acquirers of RMI. Beginning in August 2005 and continuing through May 2006, Berman Capital approached approximately 67 entities which included strategic and financial buyers, that it had determined, based on its experience in the plastics industry and in consultation with the Company, might potentially be interested in an acquisition of RMI. All of parties Berman Capital identified as potentially interested in an acquisition of RMI were contacted by Berman Capital. Berman Capital had discussions or other communications with approximately 50 of the entities it approached, and it indicated to each party it had communicated with that the Company was prepared to provide certain public and non-public corporate information regarding RMI, subject to execution of a confidentiality agreement on customary terms; 24 entered into a confidentiality agreement and Berman Capital provided to them an information package that included both public and non-public information regarding RMI. The remaining parties indicated they had no interest in pursuing discussions regarding the Company or did not respond to the contacts made by Berman Capital.

Of the 24 parties that executed confidentiality agreements and received additional information regarding RMI, six orally expressed possible interest in a transaction with RMI. In the fall of 2005, the representative of a financial buyer indicated possible interest in a transaction above $3.00 per share. However, after preliminary discussions and receipt of corporate information regarding RMI, the financial buyer initially informed Berman Capital and the Company it was not interested in a transaction and then several months later indicated it would only be interested in a transaction at a price substantially below $3.00 per share. In addition, during the first quarter of 2006, Berman Capital and the Company held discussions and several meetings with an overseas strategic buyer. While the strategic buyer showed some possible interest in a transaction, it terminated discussions without making an offer to the Company.

In addition, in May 2006, the Company was contacted by a potential financial buyer not contacted by Berman Capital. In mid-May, the potential financial buyer forwarded to the Company a non-binding proposal for a potential acquisition. The draft proposal was at a per share price greater than $3.00 per share, but after approximately two weeks of discussions with the Company, the proposal was withdrawn. Based on discussions with the potential buyer, RMI believes that the proposal was withdrawn because an individual the potential buyer intended to install as CEO of RMI chose to pursue a different opportunity, and because the potential buyer did not have dedicated funds available for an acquisition and determined not to undertake the effort required to raise the financing necessary for an acquisition.

Consequently, only Spell Capital submitted a proposal concerning a possible transaction. Mr. Berman had preliminary discussions with Spell Capital in late May 2006 regarding a possible acquisition proposal by Spell Capital. To encourage a proposal by Spell Capital, Mr. Berman provided summary data to Spell Capital, including the number of outstanding shares, estimated transaction expenses and bank debt, based on an acquisition price of $3.10 per share. Mr. Berman used this price per share in his summary because it represented a value for the Company which exceeded the multiple of certain financial results which Spell Capital disclosed it used to value similar transactions and represented a premium over recent closing prices for the Company s stock. Following these conversations, on June 21, 2006, Spell Capital forwarded a draft nonbinding letter addressed to the Board of Directors of the Company outlining certain terms of a transaction in which investment funds affiliated with Spell Capital proposed to acquire the Company. The proposal included a buy-out of all the public stockholders of the Company at $3.00 cash per share.

The Spell Capital proposal also required that that Sherman McKinniss participate in the transaction by contributing 25% of the issued and outstanding shares of RMI to the buyer in exchange for a 25% ownership interest in the buyer. Under this proposal Mr. McKinniss would indirectly retain ownership of 25% of the Company following the transaction, which is a reduction from his current ownership of approximately 45.7% of RMI. By requiring Mr. McKinniss to contribute and hold 25 percent of RMI s equity, Spell Capital reduced considerably the amount of financing necessary to facilitate the merger. The Spell Capital proposal also required Mr. McKinniss to indemnify the buyer against damages the buyer might incur as a result of breaches of the representations, warranties and covenants of RMI to be contained in the definitive merger agreement. Members of the Special Committee and other RMI directors agreed to the proposal because, although the terms of Mr. McKinniss participation, as described above, were not advantageous in comparison to the treatment of RMI s public stockholders, Spell Capital made clear that Mr. McKinniss participation was not negotiable and the Special Committee members and other directors concluded that the proposal was fair to the public stockholders. The proposal also provided that the funds necessary to complete the transaction not contributed by Spell Capital managed private equity funds as equity to the buyer would be financed through debt, and a condition to the Spell Capital proposal was that such debt financing be obtained on terms acceptable to Spell Capital. The proposal also provided that RMI would negotiate exclusively with Spell Capital for a period of 45 days, that RMI would be responsible for payment of certain expenses of Spell Capital if a definitive agreement was not entered into and that the transaction was subject to Spell Capital completing, to its satisfaction, a due diligence review of RMI and its business.

At a regularly scheduled Board meeting held on June 25, 2006, Marc Berman reviewed at length with the Board the efforts made by Berman Capital to identify and contact potential acquirers of the Company. The withdrawn proposal submitted by a potential financial buyer in May 2006 was also discussed by the Board. At the Board meeting, the Spell Capital proposal was discussed at length by the Board of Directors. Mr. Berman reported to the Board that although he had encouraged an acquisition price from Spell Capital of $3.10 per share, Spell Capital s offer was $3.00 per share and Spell Capital had indicated to him that, based on the Company s financial results, it was not willing to offer a price above $3.00. Mr. McKinniss informed the Board that while he did not seek to retain an equity interest in the Company and had not agreed to participate in the transaction as proposed by Spell Capital, he was willing to

consider such an arrangement. Board members acknowledged that the terms of the proposed transaction would oblige Mr. McKinniss to assume a substantial indemnification risk not to be shared by the public stockholders and that the Spell Capital proposal was the only firm offer received by the Company. Mr. McKinniss indicated his willingness to participate in the transaction as proposed by Spell Capital would depend on, among other things, the successful negotiation of a definitive agreement providing for the acquisition of the remaining 75% of the RMI shares, as well as reaching an agreement with Spell Capital satisfactory to him regarding his rights and obligations as a 25% stockholder following the transaction.

Following these discussions, the directors unanimously approved (with Messrs. McKinniss and Berman abstaining) entering into exclusive negotiations with Spell Capital for the acquisition of the Company on the basis of the Spell Capital proposal, with the following changes: the equity contribution of Spell Capital to the buyer should be increased to not less than $10 million, with the amount of debt financing required to complete the transaction correspondingly reduced, and RMI would only be responsible for expenses incurred by Spell Capital if RMI ceased negotiations prior to the end of 45 days in order to enter into an alternative transaction, in which case RMI would be responsible for reimbursing Spell Capital for up to $500,000 of its expenses.

At the June 25 meeting, the Board also determined, in light of the Spell Capital requirement that Mr. McKinniss be a participant in the transaction and the Board s fiduciary duties, to form a Special Committee of three independent directors to evaluate the Spell Capital proposal, retain a financial advisor to advise the committee as to the fairness of the proposal and to make a recommendation to the entire Board as to whether or not the Spell Capital proposal was fair and should be approved by the full Board and thereafter recommended by the Board to the Company s stockholders. The Special Committee consisted of directors Jules Sandford, Brent A. Brown and Larry L. Snyder, all of whom are independent directors of the Company as defined by the rules of the American Stock Exchange. A director is not considered independent if such director (a) is a current employee of the Company or was employed by the Company during the past three years, (b) received payments from the company exceeding $60,000 per year during the current year or any of the past three years, other than for certain permitted payments such as compensation for service on the Board or committees of the board, (c) has a family member who served as an executive officer of the Company during the current year or any of the past three years, (d) is, or has an immediate family member who is, an affiliate of, any entity to which the Company made, or from which the Company received, payments that exceed 5% of the respective organization s consolidated gross revenues for that year, or $200,000, whichever is more, in any of the most recent three fiscal years, (e) a director of the Company who is, or has a family member who is, employed as an executive officer of another entity where at any time during the most recent three fiscal years any of the Company s executive officers serve on that entity s compensation committee; or (f) a director who is, or has an immediate family member who is, a current partner of the company s outside auditor, or was a partner or employee of the company s outside auditor who worked on the company s audit at any time during any of the past three years.

Following the Board of Directors meeting, further discussions between Mr. Berman, Mr. McKinniss, principals of Spell Capital and their advisors occurred. On June 26 and 27, Mr. Berman and Mr. McKinniss met with representatives of Spell Capital to discuss the terms of the Spell Capital proposal and to conduct a tour of the Company s Gardena, California facility. The changes to the Spell Capital proposal requested by the RMI Board of Directors at the June 25 Board meeting were conveyed to Spell Capital, which agreed to such changes after these meetings. A revised nonbinding letter outlining certain terms of a possible transaction was submitted to the Company on June 30, 2006, and on July 5, 2006, the letter was signed by RMI.

Under the nonbinding letter, any agreement regarding the transaction was subject to completion of due diligence regarding the Company deemed satisfactory by Spell Capital. Consequently, beginning on July 10, 2006, Spell Capital initiated its due diligence investigation of the Company through its legal

counsel, Briggs & Morgan as well as PricewaterhouseCoopers LLP (PWC). During this period through the execution of the Merger Agreement, the Company provided to Spell Capital and its representatives copies of documents and information requested by them. In addition, on July 19, 2006, PWC initiated a review of the Company s audit workpapers, and from July 18 through 20, representatives of PWC visited the Company s Gardena, California headquarters to interview Company executives and review certain documents. On July 26 and 27, representatives of the Company also met with Briggs & Morgan to provide and discuss certain documents requested by them.

Jules Sandford was selected by the Board of Directors as Chairman of the Special Committee; Mr. Sandford is a practicing attorney. Beginning in early July 2006, the Chairman began to interview possible financial advisors for the Committee. At the request of the Chairman, Mr. Berman provided contact information for three firms he was aware of that might serve as financial advisor and the Chairman contacted each of these firms to request a proposal to act as financial advisor to the Special Committee. The Special Committee received proposals from these three potential financial advisors, including one received on July 6, 2006, from Duff & Phelps. On that date, the Chairman of the Special Committee telephonically interviewed a representative of Duff & Phelps. On July 7, 2006, the Chairman interviewed the representative of another investment bank to discuss its proposal.

On July 11, 2006, the Special Committee reviewed and discussed the engagement proposals submitted by all three firms. On July 13, the Special Committee again reviewed the Duff & Phelps proposal, and met with representatives of Duff & Phelps, who made a detailed presentation to, and responded to questions raised by, the Special Committee, including the firm s experience in similar engagements, its knowledge of the Company and its industry, the process the Special Committee should anticipate, fees and fee structures and various other matters. On the same day, the Special Committee received a similar presentation from a second potential financial advisor; after the second presentation, the Special Committee determined not to interview the third potential advisor. On July 13, 2006, the Special Committee decided to select Duff & Phelps as its financial advisor. Duff & Phelps did not have any prior relationship with the Company, its subsidiaries or any members of their management or Board of Directors, including Mr. McKinniss. The Special Committee selected Duff & Phelps based on its experience in similar transactions, its reputation, the thoroughness of its presentation to the Special Committee, the individual qualifications of the Duff & Phelps representatives who would be responsible for the engagement, and the fee proposed by Duff & Phelps, which was in the mid-range of the fees proposed by the three potential financial advisors.

On July 17, 2006, the Special Committee held discussions with representatives of Duff & Phelps regarding its engagement, and thereafter requested a change to its engagement proposal concerning the fee which Duff & Phelps would be paid for providing additional services to the Special Committee if the Spell Capital proposal did not proceed because another offer to acquire the Company was received from a third party. This change was accepted by Duff & Phelps. On July 21, 2006, the Special Committee formally approved the engagement of Duff & Phelps. During late July and early August 2006, Duff & Phelps conducted due diligence meetings with members of RMI s management team at the Company s headquarters in Gardena, California.

On July 19, 2006, counsel for Spell Capital provided to RMI and its representatives a draft of the Merger Agreement. Counsel for Spell Capital also provided a draft of the voting and share exchange agreement which Mr. McKinniss would be required to enter into with Spell Capital. Copies of these agreements were provided to the Special Committee. On July 28, 2006, counsel for RMI provided preliminary comments on the agreement to counsel for Spell Capital. On August 7, 2006, counsel for Spell Capital provided a revised draft of the Merger Agreement and voting agreement, and on August 15, provided a draft shareholders agreement which Mr. McKinniss would be required to enter into in connection with the transaction. From August 7 until August 16, 2006, RMI and Spell Capital and their respective representatives negotiated various terms of the Merger Agreement, the voting agreement and

the shareholders agreement, and exchanged drafts of these agreements. Copies of various drafts of these agreements were provided to the Special Committee.

On August 11, 2006, Duff & Phelps provided to the Special Committee a draft copy of its fairness analysis for its review over the weekend. On August 14, 2006, representatives of Duff & Phelps met with the Special Committee to present its fairness analysis and preliminary conclusions as to the fairness of the proposed transaction, from a financial point of view, to the unaffiliated public stockholders of RMI. Duff & Phelps final opinion was delivered to the Special Committee on August 29, 2006, which did not differ in any substantive way from its August 14 fairness analysis presentation.

On August 16, 2006, the RMI Board of Directors held a special meeting to discuss the proposed transaction and the results of negotiations between the parties. Heller Ehrman, LLP, counsel to RMI, reviewed the terms of the draft Merger Agreement and the other agreements, as well as the items which remained open and unresolved between RMI and Spell Capital. Counsel also discussed with the Board the issues remaining to be resolved between Mr. McKinniss and Spell Capital relating to the voting agreement and the shareholders agreement, and reviewed with the Board its fiduciary obligations with respect to the potential transaction, including directors duties of loyalty and care, the obligation to be fully informed regarding the potential transaction, and the higher standard, such as approval by an independent committee and approval by all disinterested directors, that applied to a transaction in which a director was interested. Mr. Sandford, Chairman of the Special Committee reported to the Board on the activities of the Special Committee. The Chairmen reported to the Board that he had contacted three potential financial advisors, and advised the Board as to the identities of the three, that the Special Committee had received written proposals from each of the three, that he had spoken to representatives of each of the potential financial advisors and the Special Committee had received detailed presentations from two, as well as the fees each of the potential advisors had requested. He also reported that the Special Committee had met several times to discuss which of the proposed financial advisors should be selected and the Special Committee s decision to retain Duff & Phelps as its financial advisor. Mr. Sandford also reported on the presentations made to the Special Committee by Duff & Phelps, including its preliminary opinion that the transaction was fair, from a financial point of view, to the unaffiliated public stockholders of RMI. Mr. Sandford also reported that, subject to receipt of a final, written fairness opinion from Duff & Phelps and successful negotiation of the open issues in the Merger Agreement, the Special Committee would recommend to the Board that the transaction was substantively and procedurally fair to the unaffiliated public stockholders of RMI and should be approved by the Board.

From August 16 through August 29, 2006, the parties and their representatives continued to negotiate the terms of the Merger Agreement and the other agreements and to exchange drafts of these agreements. On August 22, 2006, counsel for Spell Capital provided a draft one-year employment agreement which Mr. McKinniss would be required to enter into in connection with the transaction.

On August 29, 2006, the RMI Board held a special meeting to further discuss and consider the proposed transaction. At the meeting, the Board members reviewed the outcome of the final negotiations between the parties. Duff & Phelps provided to the Special Committee its written opinion that as of August 29, 2006, and based upon and subject to matters stated in its opinion, from a financial point of view, the consideration to be paid in the proposed transaction was fair to the unaffiliated, public stockholders of RMI. Heller Ehrman LLP reviewed the terms of the Merger Agreement and the other agreements that had been previously distributed for review by the Board. The Special Committee confirmed to the full Board its view that the proposed transaction was substantively and procedurally fair to the unaffiliated public stockholders of RMI and recommend it be approved by the Board. After further review and discussion, the Board, with Messrs. Berman and McKinniss abstaining, determined that the proposed transaction was fair to the unaffiliated stockholders of RMI and voted to approve the Merger Agreement and the transaction contemplated by the Merger Agreement and resolved to recommend that its stockholders vote to adopt the Merger Agreement.

On December 3, 2006, the Boards of Directors of RMI approved amending the Merger Agreement, including the change in the stockholder voting requirement to approve the Merger and the extension of the termination date of the Merger Agreement until January 31, 2007.

On December 8, 2006, the parties to the merger agreement amended and restated the agreement to reflect the foregoing.

REASONS FOR THE RECOMMENDATION OF THE SPECIAL COMMITTEE AND THE BOARD OF DIRECTORS

The Special Committee has at all times been composed of three independent directors who are neither officers nor employees