

Court File No. 965/06

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

CANADIAN COMMERCIAL WORKERS INDUSTRY PENSION PLAN,

Plaintiffs

- and -

ROYAL GROUP TECHNOLOGIES LTD., VIC DE ZEN,
DOUGLAS DUNSMUIR, GARY BROWN, RON GOEGAN, DOMINIC
D'AMICO, GREGORY SORBARA, RONALD SLAGHT and
RALPH BREHN

Defendants

**AFFIDAVIT OF PAUL MULHOLLAND
(sworn December 6, 2007)**

I, Paul Mulholland, of the City of Media, in the State of Pennsylvania MAKE OATH
AND SAY:

I. INTRODUCTION

1. I am submitting this affidavit to provide my expert opinion as to the estimated range of possible damages for purchasers of common stock of Royal Group Technologies Ltd. ("Royal Group" or the "Company") during the period February 26, 1998 through and including October 18, 2004 ("Class Period") that traded on the New York Stock Exchange ("NYSE"), the Toronto Stock Exchange ("TSX") and the Montreal Stock Exchange ("MSE"). More specifically, plaintiff's counsel has asked me to estimate a range of possible damages based on alternative views of the facts of this case as they might reasonably be put forward by Plaintiffs and Defendants if the case were to go to trial.

2. This Report is prepared solely for the purpose of the settlement approval hearing in the Ontario Superior Court of Justice on or about December 17, 2007 in this matter. I have been retained by the law firm Siskinds LLP.

II. QUALIFICATIONS

3. A copy of my resume, which outlines my professional experience and expertise, is attached as Exhibit A to this report. I have been qualified or accepted as an expert on the operations of the securities markets, damages, investment banking practices, financial valuation and related corporate finance matters in numerous federal and state courts across the U.S. since 1992. I have appeared as an expert for many depositions and court testimonies in the U.S. courts and submitted several reports, declarations and affidavits in these subject areas as well. I am also an adjunct professor of accounting and finance at Neumann University.

4. I am president and founder of Mulholland & Co., LLC. Mulholland & Co., LLC is a financial valuation consulting firm specializing in the valuation of securities and business entities for a variety of purposes including class action litigation, business transactions, financial reporting, taxation and other litigation support services.

III. SUMMARY OF DAMAGES

5. As provided in the Notice of Action and Statement of Claim filed in the Ontario Superior Court of Justice (the "Canadian Action") and the Consolidated Amended Class Action Complaint filed in the United States District Court - Southern District of New York (the "U.S. Action"), there were four alleged corrective disclosures during the Class Period on 1/24/03, 1/27/03, 2/26/04 and 10/18/04. Based on my analysis and the various assumptions as more fully described in this affidavit, it is my opinion the estimated range of probable aggregate damages are from \$24,175,578 (Alternative I – 10/18/04 alleged corrective disclosure only) to \$117,793,152 (Alternative IV – all four alleged corrective disclosures) summarized as follows¹:

¹ Damages in the U.S. Action were converted from U.S. dollars to Canadian dollars based on the conversion rate on October 18, 2004 (last day of the Class Period) using an exchange rate of 1.2548 (source: Bank of Canada currency conversion rate on 10/18/04).

Alternative I – Computation of aggregate damages based on the alleged one corrective disclosure at the end of the Class Period on 10/18/04 only:

	Traded on TSX	Traded on NYSE	Total
	<u>(CAD\$)</u>	<u>(CAD\$)</u>	<u>(CAD\$)</u>
Ins and Outs Damages ²	\$0	\$0	\$0
Retention Damages ³	<u>\$20,307,290</u>	<u>\$3,868,288</u>	<u>\$24,175,578</u>
Total	<u>\$20,307,290</u>	<u>\$3,868,288</u>	<u>\$24,175,578</u>

Alternative II – Computation of aggregate damages based on the alleged two corrective disclosures on 2/26/04 and 10/18/04:

	Traded on TSX	Traded on NYSE	Total
	<u>(CAD\$)</u>	<u>(CAD\$)</u>	<u>(CAD\$)</u>
Ins and Outs Damages	\$14,450,001	\$3,231,036	\$17,681,037
Retention Damages	<u>\$52,336,161</u>	<u>\$8,222,165</u>	<u>\$60,558,326</u>
Total	<u>\$66,786,162</u>	<u>\$11,453,201</u>	<u>\$77,239,363</u>

Alternative III – Computation of aggregate damages based on the alleged three corrective disclosures on 1/27/03, 2/26/04 and 10/18/04:

	Traded on TSX	Traded on NYSE	Total
	<u>(CAD\$)</u>	<u>(CAD\$)</u>	<u>(CAD\$)</u>
Ins and Outs Damages	\$20,096,379	\$4,068,947	\$24,165,326
Retention Damages	<u>\$57,030,653</u>	<u>\$9,203,827</u>	<u>\$66,234,480</u>
Total	<u>\$77,127,032</u>	<u>\$13,272,774</u>	<u>\$90,399,806</u>

² Represents damages from shares purchased and sold during the Class Period when inflation upon purchase was greater than inflation upon sale. These were shares purchased and sold between the alleged corrective disclosure periods. Shares purchased and sold within an alleged corrective disclosure period were not damaged since inflation upon purchase is the same as inflation upon sale.

³ Represents damages from shares purchased during the Class Period and held through to the end of the Class Period.

Alternative IV –Computation of aggregate damages based on the alleged four corrective disclosures on 1/24/03, 1/27/03, 2/26/04 and 10/18/04.

	Traded on TSX (CAD\$)	Traded on NYSE (CAD\$)	Total (CAD\$)
Ins and Outs Damages	\$32,760,745	\$5,902,246	\$38,662,991
Retention Damages	<u>\$67,726,056</u>	<u>\$11,404,105</u>	<u>\$79,130,161</u>
Total	<u>\$100,486,801</u>	<u>\$17,306,351</u>	<u>\$117,793,152</u>

IV. MATERIALS REVIEWED

6. In the course of my assignment in this matter, I have reviewed several case documents including but not limited to the Notice of Action and Statement of Claim filed in the Ontario Superior Court of Justice; the Consolidated Amended Class Action Complaint filed in the United States District Court - Southern District of New York; SEC filings, market prices and volume of the Company; SEC Reports, news stories, analyst reports of Royal Group; institutional holdings of Royal Group; and the Stipulation and Settlement. Attached as Exhibit B is a comprehensive list of materials reviewed in connection with this report.

V. ASSUMPTIONS

7. My opinion is based on the assumption that Plaintiffs will prevail at trial on the allegations of misrepresentations contained in both Actions. As alleged by Plaintiffs in this matter, Defendants' had a duty to accurately disclose its pattern of self dealing and related party transactions for the benefit of Mr. DeZen, and certain other individual Defendants, and to disclose its alleged lack of internal controls and lack of corporate governance during the Class Period.

8. My opinion assumes that, at the close of trading on October 18, 2004 (the last day of the Class Period), Royal Group had substantially made all of its corrective disclosures in this matter.

VI. BACKGROUND

9. According to the 40-F Forms (Annual Reports) filed with the SEC for the fiscal years ended September 30, 2003 and December 31, 2004, the Company began operations in 1970 as a small custom profile extruder. The Royal Group has evolved from being a leading North American PVC building products extruder to a vertically integrated manufacturer of technology advanced polymer-based products sold primarily in North America, and increasingly in international locations. The Royal Group was formed under the Canada Business Corporation Act on November 25, 2004 by the amalgamation of Steelwood Acquisition Inc. and Royal Plastics Group Limited. The name was changed to Royal Group Technologies Limited on February 14, 1997.⁴ There were approximately 77.3 million subordinate voting shares (SVS) and 15.9 million multiple voting shares (MVS) outstanding at the end of the Class Period. Each MVS is entitled to 20 votes. The MVS were 100% owned by Defendant Mr. DeZen allowing Mr. DeZen to have voting control over the Company. The SVS principally traded on the NYSE and TSX during the Class Period. Royal Group ceased trading on the MSE in December 1999.

10. The proposed Settlement provided a gross settlement fund of Nine Million Canadian Dollars (CAD \$9,000,000) for the benefit of Royal Group purchasers who were damaged during the Class Period. The proposed Settlement resolves both the Canadian Action and the U.S. Action. As described in both Actions, there were four alleged corrective disclosures made during the Class Period on 1/24/03, 1/27/03, 2/26/04 and 10/18/04. Upon each of these four disclosures, there were substantial price declines⁵ in the Company's stock as summarized below:

	<u>NYSE (\$USD)</u>	<u>TSX (\$CAD)</u>
1/23/03 Closing Price	\$10.07	\$15.29
1/24/03 Closing Price	<u>\$8.60</u>	<u>\$13.01</u>
1/24/03 Price Decline	<u>\$1.47</u>	<u>\$2.28</u>

⁴ On February 5, 2007, its name was later changed to Royal Group, Inc.

⁵ These declines were also used in the proposed Plan of Allocation in computing recognized losses for Class Members filing valid claims in this matter.

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1/24/03 Closing Price	\$8.60	\$13.01
1/27/03 Closing Price	<u>\$7.95</u>	<u>\$12.01</u>
1/27/03 Price Decline	<u>\$.65</u>	<u>\$1.00</u>
2/24/04 Closing Price	\$13.03	\$17.36
2/26/04 Closing Price	<u>\$10.39</u>	<u>\$13.98</u>
2/26/04 Price Decline	<u>\$2.64</u>	<u>\$3.38</u>
10/13/04 Closing Price	\$ 8.97	\$11.28
10/18/04 Closing Price	<u>\$7.85</u>	<u>\$ 9.85</u>
10/18/04 Price Decline	<u>\$ 1.12</u>	<u>\$ 1.43</u>

VII. METHODOLOGY – ARTIFICIAL INFLATION PER SHARE

11. There are two major components to a computation of a range of aggregate damages based on the alleged misrepresentation and omissions in this matter. These are a) a calculation of artificial inflation per share, and b) an estimate of the aggregate damaged shares during the Class Period.

12. For shares purchased on the NYSE, I followed Section 10(b) of the Securities Exchange Act of 1934 requiring calculation of recoverable damages based on actual damages and subject to the 90-day “look-back” provision of the Private Securities Litigation Reform Act of 1995 (“PSLRA”) providing a limit on the maximum amount of recoverable damages. Section 21D(e)(1) of the PSLRA (15 U.S.C. 78u-4(e)(1)) provides that the maximum amount of recoverable damages for securities purchased during the class period and retained through the 90-day period following the day on which the alleged misstatements or omissions were corrected (90-day look-back period) are limited to the difference between the purchase price paid and the mean trading price of the security for the 90-day look-back period. It further provides that, if the

security is sold during the 90 day look-back period, the maximum amount of recoverable damages are limited to the difference between the purchase price paid and the mean trading price for the security during the period beginning on the day on which the alleged misstatements and omissions were corrected and ending on the date of sale.

13. Damages in 10b-5 securities cases are typically defined as the difference between true value of the security at the date of purchase less the difference between the sale price and the true value at the date of sale. The "true value" is the value of the security without the alleged misrepresentation or omissions. The difference between purchase/sale price and true value is referred to as artificial inflation ("Inflation"). Thus, for shares purchased during the Class Period and subsequently sold during the Class Period after a corrective disclosure, damages per share can be computed as the Inflation upon purchase minus Inflation upon sale. If shares purchased during the Class Period were held through to the end of the Class Period ("Retention Shares") damages per share equal Inflation at the time of purchase (limited by the effect of the 90 day PSLRA look-back provision). To calculate 10b-5 damages, I need to determine Inflation and true value per share which will be computed via my event study.

14. I have computed damages for shares purchased on the TSX and MSE similarly to 10b-5 damages. Siskinds LLP has instructed me to compute damages for TSX and MSE purchasers using the principle established in the Ontario Court of Appeals decision in *Burke v. Cory* (1959, 19 D.L.R.(2d) 252). In this decision, the Court of Appeals stated:

"the measure of damages is the difference between the actual value of the [security] and its value if the [security] had been what it was represented to be, so that the proper mode of measuring the damages is to ascertain the difference between the price paid for the shares and the actual value at the time of allotment."

15. Except for the 90 day look-back provision⁶, damages for Class Period purchasers on the TSX and MSE in the Canadian Action have been computed using the same method as the 10b-5 damage calculation in the U.S Action.

⁶ I understand that the law applicable to plaintiff's claim in Ontario does not require the 90 day look-back.

16. To compute Inflation per share, I performed an event study⁷ to determine whether the above four disclosures or events were statistically significant and, if so, what the abnormal or residual return (Abnormal Return) of each of these events was during the Class Period. In an event study, the Abnormal Return from a corrective disclosure typically represents the maximum Inflation per share for each event assuming 100% of the Abnormal Return relates to the disclosure. My event study calculates the daily predicted return of the common stock of the Royal Group by a regression model using one year of data prior to the Class Period⁸. The Abnormal Return principally reflects the company specific event and typically removes the price decline related to general market and industry conditions. As a result of my event study, I concluded that approximately 45% of the price declines on 1/24/03, 1/27/03, 2/26/04 and 10/18/04 were attributable to the company specific disclosures and approximately 55% of these price declines were related to general market and industry conditions.

17. All four of the above disclosures were statistically significant at a 99% confidence level. The Inflation per share for each of the four statistically significant disclosures⁹ as computed by my event study for the Royal Group common stock during the Class Period is summarized below:

	<u>NYSE (\$USD)</u>	<u>(TSX (\$CAD))</u>
1/24/03 Abnormal Return per share	-\$0.65	-\$1.04
1/27/03 Abnormal Return per share	-\$0.29	-\$0.45
2/26/04 Abnormal Return per share	-\$1.21	-\$1.47
10/18/04 Abnormal Return per share	-\$0.52	-\$0.68

⁷An event study is a statistical analysis commonly used in assessing claims of loss causation via a regression analysis that measures the effect new information has on the market price of a company's publicly traded securities. It compares the day to day percentage change of a company's stock during a control period to an applicable index to determine the normal relationship between a stock price and the market index. Based on this, the economic model explains changes in a company's stock price as either company specific or market related and, if company specific, whether or not corrective disclosures are "statistically significant".

⁸ I chose the S&P TSX Building Products Index as the appropriate industry/market index to be used in my event study. This is the same index used by the Royal Group in its SEC Form 40-F as a comparative or benchmark index.

⁹ I am assuming each of these were corrective disclosures.

The results of my event study are summarized in Exhibit C.

18. Once the statistically significant disclosures and Inflation creating dates were identified, I calculated the Inflation per share on a daily basis for the entire Class Period. To construct the series, I assumed that the stock price is un-inflated or "clean" at the end of the Class Period. Then, working backward through the Class Period, I determined for each day the net price effect of the disclosures and Inflation creating events using the constant-dollar aggregation. For example, shares purchased prior to the first corrective disclosure and held through to the end of the Class Period would have the highest Inflation since all Inflation creating events are included. If shares were purchased after the first disclosure and sold after the second disclosure or held through to the end of the Class Period, then Inflation would be lower since there would be no less than one and no more than three Inflation creating events. If shares were purchased and sold within disclosure periods, then Inflation would be \$0 since Inflation upon purchase is the same as Inflation upon sale. Based upon Plaintiffs' theory of this case, I also assume that the impact of the disclosure extends back to the beginning of the Class Period. The methodology I am using is a reasonable and commonly used method for determining Inflation per share on each day during the Class Period based on Plaintiffs' theory of the case. The daily Inflation per share and true value throughout the Class Period is detailed in Exhibit D.

VIII. METHODOLOGY – AGGREGATE DAMAGED SHARES

19. I used the "multi-trader" model to estimate the aggregate damaged shares during the Class Period. Since we do not have actual trading data in this matter, the "multi-trader" model is a method commonly used by plaintiffs' and defendants' experts to estimate damaged volume¹⁰. The "multi-trader" model assumes three classes of market participants, including day traders, passive traders, and active traders. Day traders purchase and sell their shares on the same day and do not hold their positions at the end of the day. Passive and active traders will

10 A paper by National Economic Research Associates (NERA) in October 2000 (authored by Marcia Kramer Mayer, PH.D.) titled, "Best-Fit Estimation of Damaged Volume in Shareholders Class Actions: The Multi-Sector, Multi-Trader Model of Investor Behavior", strongly opposed the once popular "Single-Trader" (s.k.a., "proportional trading" or "proportional decay") model for estimating damaged volume and recommends the "Multi-Trader model to estimate damaged volume for unidentified investors based on empirically-grounded assumptions about the variability for shareholders behavioral".

continue to hold their share at the end of the day with active traders more inclined to trade, relative to their holdings, than passive traders.

20. I assumed active traders accounted for 80% of the volume and 20% of the shares available to trade, and passive (less active) traders accounted for 20% of the volume and 80% of the shares¹¹. The required components for the trading model include the number of shares available for trading during the Class Period; the total Class Period trading volume; the daily reported trading volume; and the estimated float¹². Overall trading volume was reduced by 20%¹³ for specialists' activity on the NYSE and by 50%¹⁴ for market-maker trading on the TSX. In addition I reduced volume by 20%¹⁵ for intra-day trading.

21. The number of damaged shares includes, (1) shares purchased and sold during the Class Period where Inflation upon purchase is higher than Inflation upon sale ("Ins and Outs Damaged Shares"); and (2) shares purchased during the Class period and held through to the end of the Class Period where damages per share are based on the Inflation upon purchase¹⁶ ("Retention Damaged Shares").

22. Based on the above analysis, it is my opinion that the maximum aggregate damages, aggregate damaged shares and the average damage per share for Class Period purchasers of the Royal Group are as follows:

¹¹ This percentage of active and passive volume/holdings is one of the most commonly used assumptions for active and passive traders in the "multi-trader" model. This active and passive estimate of volume and holdings is further supported and falls within the range of the empirical results as provided in the NERA's October 2000 paper titled, "Best-Fit Estimation of Damaged Volume in Shareholders Class Actions: The Multi-Sector, Multi-Trader Model of Investor Behavior".

¹² My estimated float is approximately 59.5 million publicly traded shares. This is based on 77.3 million shares (source: SEC Form 40-F) available for public trading; less 8.6 million short positions (source: Bloomberg); less 9.1 million insider shares. Based on volume and trading activity, I also assumed 80% of these shares traded on the TSX and 20% traded on the NYSE at the end of the Class Period.

¹³ Recent published reports indicate that specialists represent at least 15% of volume on the NYSE. For purposes of this analysis, I am assuming 20%, which is the percentage commonly used by experts to reduce volume for specialist volume for NYSE stocks.

¹⁴ The TSX uses market makers to trade similar to NASDAQ. The reported volume includes double counting by market makers and therefore volume should be reduced by 50%. This reduction of 50% is commonly used by experts to adjust volume to account for market makers.

¹⁵ Based on my review of the Company's turnover ratio and trading activity, it is my opinion that intra-day trading activity is no more than 20%.

¹⁶ As previously mentioned, there is no Inflation after the Class Period since it assumes the corrective disclosures have been fully made. Thus, for Class Period purchasers who held through to the end of the Class Period, damages are based on Inflation upon purchase. In the U.S. Action (NYSE purchasers), Retention Shares are subject to the 90 day look-back provision.

100% of Maximum Aggregate Damages (CAD\$)

	Traded on TSX (CAD\$)	Traded on NYSE (CAD\$)	Total (CAD\$)
Ins and Outs Damages	\$32,760,745	\$5,902,246	\$38,662,991
Retention Damages	\$67,726,056	\$11,404,105	\$79,130,161
Total	\$100,486,801	\$17,306,351	\$117,793,152

100% of Maximum Aggregate Damaged Shares

	Traded on TSX (Damaged Shrs.)	Traded on NYSE (Damaged Shrs.)	Total (Damaged Shrs.)
Ins and Outs Damaged Shrs.	20,294,833	4,051,267	24,346,100
Retention Damaged Shrs.	29,863,662	5,754,643	35,618,305
Total	50,158,495	9,805,910	59,964,405

100% of Maximum Aggregate Damages (CAD\$ Per Share)

	Traded on TSX (CAD\$ Per Share)	Traded on NYSE (CAD\$ Per Share)	Total (CAD\$ Per Share)
Damage Per Share	\$2.00 per Share	\$1.76 per Share	\$1.96 per Share

IX. CONCLUSION AND RANGE OF AGGREGATE DAMAGES

23. The above damage analysis represents the maximum amount of damages for purchasers of the Royal Group shares during the Class Period. If this case were to go trial, there are many arguments Defendants would pursue that could result in reducing the above maximum aggregate damages. The Defendants would most likely dispute the alleged omissions and misrepresentations; the calculation and amounts of Inflation per share; the amount of damaged shares; the event study methodology; the trading model methodology; the impact of general market and industry factors on the Royal Group's stock price; and other factors. Based on my analysis and the various assumptions as more fully described in this affidavit, it is my opinion the estimated range of probable aggregate damages are from \$24,175,578 (Alternative I –

10/18/04 alleged corrective disclosure only) to \$117,793,152 (Alternative IV – all four alleged corrective disclosures) summarized as follows¹⁷:

Alternative I – Computation of aggregate damages based on the alleged one corrective disclosure at the end of the Class Period on 10/18/04 only:

	Traded on TSX (CAD\$)	Traded on NYSE (CAD\$)	Total (CAD\$)
Ins and Outs Damages ¹⁸	\$0	\$0	\$0
Retention Damages ¹⁹	<u>\$20,307,290</u>	<u>\$3,868,288</u>	<u>\$24,175,578</u>
Total	<u>\$20,307,290</u>	<u>\$3,868,288</u>	<u>\$24,175,578</u>

Alternative II – Computation of aggregate damages based on the alleged two corrective disclosures on 2/26/04 and 10/18/04:

	Traded on TSX (CAD\$)	Traded on NYSE (CAD\$)	Total (CAD\$)
Ins and Outs Damages	\$14,450,001	\$3,231,036	\$17,681,037
Retention Damages	<u>\$52,336,161</u>	<u>\$8,222,165</u>	<u>\$60,558,326</u>
Total	<u>\$66,786,162</u>	<u>\$11,453,201</u>	<u>\$77,239,363</u>

Alternative III – Computation of aggregate damages based on the alleged three corrective disclosures on 1/27/03, 2/26/04 and 10/18/04:

	Traded on TSX (CAD\$)	Traded on NYSE (CAD\$)	Total (CAD\$)
Ins and Outs Damages	\$20,096,379	\$4,068,947	\$24,165,326

¹⁷ Damages in the U.S. Action were converted from U.S. dollars to Canadian dollars based on the conversion rate on October 18, 2004 (last day of the Class Period) using an exchange rate of 1.2548 (source: Bank of Canada currency conversion rate on 10/18/04).

¹⁸ Represents damages from shares purchased and sold during the Class Period when inflation upon purchase was greater than inflation upon sale. Those were shares purchased and sold between the alleged corrective disclosure periods. Shares purchased and sold within an alleged corrective disclosure period were not damaged since inflation upon purchase is the same as inflation upon sale.

¹⁹ Represents damages from shares purchased during the Class Period and held through to the end of the Class Period.

Retention Damages	<u>\$57,030,653</u>	<u>\$9,203,827</u>	<u>\$66,234,480</u>
Total	<u>\$77,127,032</u>	<u>\$13,272,774</u>	<u>\$90,399,806</u>

Alternative IV -Computation of aggregate damages based on the alleged four corrective disclosures on 1/24/03, 1/27/03, 2/26/04 and 10/18/04.

	<u>Traded on TSX</u>	<u>Traded on NYSE</u>	<u>Total</u>
	<u>(CAD\$)</u>	<u>(CAD\$)</u>	<u>(CAD\$)</u>
Ins and Outs Damages	\$32,760,745	\$5,902,246	\$38,662,991
Retention Damages	<u>\$67,726,056</u>	<u>\$11,404,105</u>	<u>\$79,130,161</u>
Total	<u>\$100,486,801</u>	<u>\$17,306,351</u>	<u>\$117,793,152</u>

24. This report is to be used for the sole purpose of the settlement approval hearing in the Ontario Superior Court of Justice on or about December 17, 2007 in this matter. Any other use or reproduction of this document must be approved in writing by Paul Mulholland. As part of my work, I completed my initial analysis based on the assumptions detailed in this report. My assumptions and the results of my analysis could change if additional information becomes available.

SWORN BEFORE ME at the City of
Media, in the State of PA, on December
6, 2007.

Christina L. Keiper
 Commissioner for Taking Affidavits

Paul Mulholland
 Paul Mulholland

