UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JON VANAMRINGE, Individually and on Behalf of All Others Similarly Situated, Plaintiff, vs. ROYAL GROUP TECHNOLOGIES LIMITED, DOUGLAS DUNSMUIR, GARY BROWN, VIC DE ZEN and RON GOEGAN, Defendants.	:	No. 06 Civ. 0822 (RJH) DEMAND FOR JURY TRIAL
LEWIS R. MESSINGER, Individually and on Behalf of All Others Similarly Situated, Plaintiff, vs. ROYAL GROUP TECHNOLOGIES LIMITED, VIC DE ZEN, DOUGLAS DUNSMUIR, GARY BROWN and RON GOEGAN, Defendants.	:	No. 06 Civ. 0876 (KMW)

CONSOLIDATED AMENDED CLASS ACTION COMPLAINT

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Lead Plaintiffs Philip Zipin, Marcia B. Snow, and Lewis R. Messinger ("Plaintiffs"), by their undersigned attorneys, on behalf of themselves and the class they seek to represent, for their Consolidated Amended Class Action Complaint (the "Complaint"), allege the following upon knowledge as to their own acts, and upon the investigation conducted by Plaintiffs' counsel as detailed in ¶10 below.

NATURE OF ACTION

1. Plaintiffs bring this securities fraud class action against Royal Group Technologies Limited ("Royal Group" or the "Company"), Vic De Zen ("De Zen"), the Company's former Chairman and Chief Executive Officer, and other Individual Defendants defined below, on behalf of themselves and: (i) all United States citizens and entities that purchased or otherwise acquired the common stock of Royal Group on the New York Stock Exchange ("NYSE") or the Toronto Stock Exchange ("TSE"); and (ii) all foreign persons and entities that purchased or otherwise acquired the common stock of Royal Group on the NYSE, between February 24, 2000 and October 18, 2004, inclusive (the "Class Period"), alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules and regulations promulgated thereunder.

2. Prior to and during the Class Period, De Zen and other high-level executives of Royal Group systematically treated the Company like their personal piggy bank – routinely causing the Company to engage in financial transactions either with themselves or with companies under their control. As detailed herein, the course of self-dealing conduct that transpired at Royal Group was pervasive and substantial. Royal Group's executives ran the Company as their personal fiefdom and were not held accountable by Royal Group's Board of Directors for the wrongful conduct. In fact, Royal Group's Board of Directors did not have procedures in place to ensure that any related party transactions were done at arm's length or in the best interest of the Company. Greg Sorbara, a member of Royal Group's Board and the Chairman of the Board's Audit Committee, stated: "Those

of us who were independent directors were in the minority and we had very little authority. We had no capacity to reverse the decisions of management. It concerned me from Day 1."

3. Yet, throughout the Class Period, Defendants concealed the existence of these related-party transactions, thereby omitting highly material facts from Royal Group investors. Defendants rendered numerous statements throughout the Class Period that were materially false and misleading.

4. Beginning in February 2004, Defendants' transgressions came to light as the result of regulatory scrutiny. On February 25, 2004, Royal Group revealed that it was the subject of an investigation by the Ontario Securities Commission (the "OSC") into the flow of goods and services between the Company and a resort owned by De Zen. In response to this announcement, the price of Royal Group stock declined by almost 20%. Shortly thereafter, in April 2004, Royal Group purportedly organized a so-called Special Committee to conduct an "independent" inquiry into the conduct that the OSC was investigating. Not surprisingly, the Special Committee quickly concluded that there was no evidence of wrongdoing.

5. Then, in October 2004, it was revealed that the Royal Canadian Mounted Police ("RCMP") was seeking documents in connection with the OSC investigation and that the RCMP had served a voluminous document request on the Bank of Nova Scotia. The RCMP served the document request because it was investigating allegations that the Defendants had engaged in self-dealing transactions with Royal Group and used "deceit, falsehood or fraudulent means" to defraud Royal Group's shareholders or creditors. Further, it was disclosed that the RCMP was looking into whether Defendants deceived shareholders by releasing a prospectus or making a statement which they "knew was false in material [respects] . . . with intent to induce persons" to become shareholders or partners of the Company and to defraud shareholders or creditors.

6. On October 15, 2004, the Company announced that the Individual Defendants were the subject of the RCMP's criminal investigation in connection with their engaging in self-dealing transactions with Royal Group. Then, on October 18, 2004 (after the close of trading), the Company announced that the Company itself, as well as the Individual Defendants, were being criminally investigated by the RCMP in connection with the Defendants' self-dealing transactions.

7. As a result of the revelations of the substantial self-dealing transactions by Defendants, the price of Royal Group's stock dropped precipitously, falling from $8.97 per share on October 13, 2004 (the last trading day prior to the announcement of the RCMP's investigation into the Individual Defendants' self-dealing transactions) to $7.15 per share on October 19, 2004 (the first day of trading after the disclosure of the RCMP's investigation into the Company) – a decline of $1.82 per share, or more than 20%.

8. The decline in Royal Group's stock price near and at the end of the Class Period was a direct result of the nature and extent of Defendants' prior misstatements and fraudulent conduct finally being revealed to investors and the market. The timing and magnitude of Royal Group's stock price declines negate any inference that the loss suffered by Plaintiffs and other Class members was caused by changed market conditions, microeconomic or industry factors or Company-specific facts unrelated to the Defendants' fraudulent conduct. The economic loss, *i.e.*, damages, suffered by Plaintiffs and other members of the Class was a direct result of Defendants' fraudulent scheme to artificially inflate Royal Group's stock price and the subsequent significant decline in the value of Royal Group's stock when Defendants' prior misrepresentations and other conduct were revealed.

9. Defendants' motives for engaging in the fraudulent scheme alleged herein are clear: prior to the disclosure of the true facts about the Company and its management, Defendant De Zen and other Company executives disposed of millions of shares of the Company's stock, worth tens of

millions of dollars, when Royal Group's stock was near its Class Period high. Defendants were motivated to conceal their self-dealing transactions from investors to enable them to continue engaging in these lucrative transactions. Furthermore, Defendants were also motivated to engage in this scheme in order to protect the Company's credit rating, as they knew that disclosure of the alleged wrongdoing would have negatively impacted the Company's credit rating, restricting the amount of funds the Company could have borrowed in the future.

BASIS OF ALLEGATIONS

10. The following allegations against Defendants are based upon the investigation conducted by and under the supervision of Plaintiffs' counsel, which included reviewing and analyzing information relating to the relevant time period obtained from numerous public and proprietary sources (such as LexisNexis, Dow Jones and Bloomberg) – including, *inter alia*, Securities and Exchange Commission ("SEC") filings, other regulatory filings and reports, publicly available annual reports, press releases, published interviews, news articles and other media reports (whether disseminated in print or by electronic media), and reports of securities analysts and investor advisory services, in order to obtain the information necessary to plead Plaintiffs' claims with particularity. Plaintiffs believe that further substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

JURISDICTION AND VENUE

11. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act, 15 U.S.C. §§78j(b) and 78t(a), and the rules and regulations promulgated thereunder by the SEC, including Rule 10b-5, 17 C.F.R. §240.10b-5.

12. This Court has jurisdiction over the subject matter of this action pursuant to Section 27 of the Exchange Act, 15 U.S.C. §78aa.

13. Pursuant to the "effect test" of extraterritorial jurisdiction, this Court may properly exercise subject-matter jurisdiction over the claims of (a) all investors who purchased or acquired Royal Group securities traded on the NYSE; and (b) all United States investors who purchased or acquired Royal Group securities, regardless of where those securities traded.

14. Royal Group common stock traded on both the NYSE and the TSE during the Class Period. U.S. investors purchased a significant number of shares of Royal Group on both the NYSE and TSE.

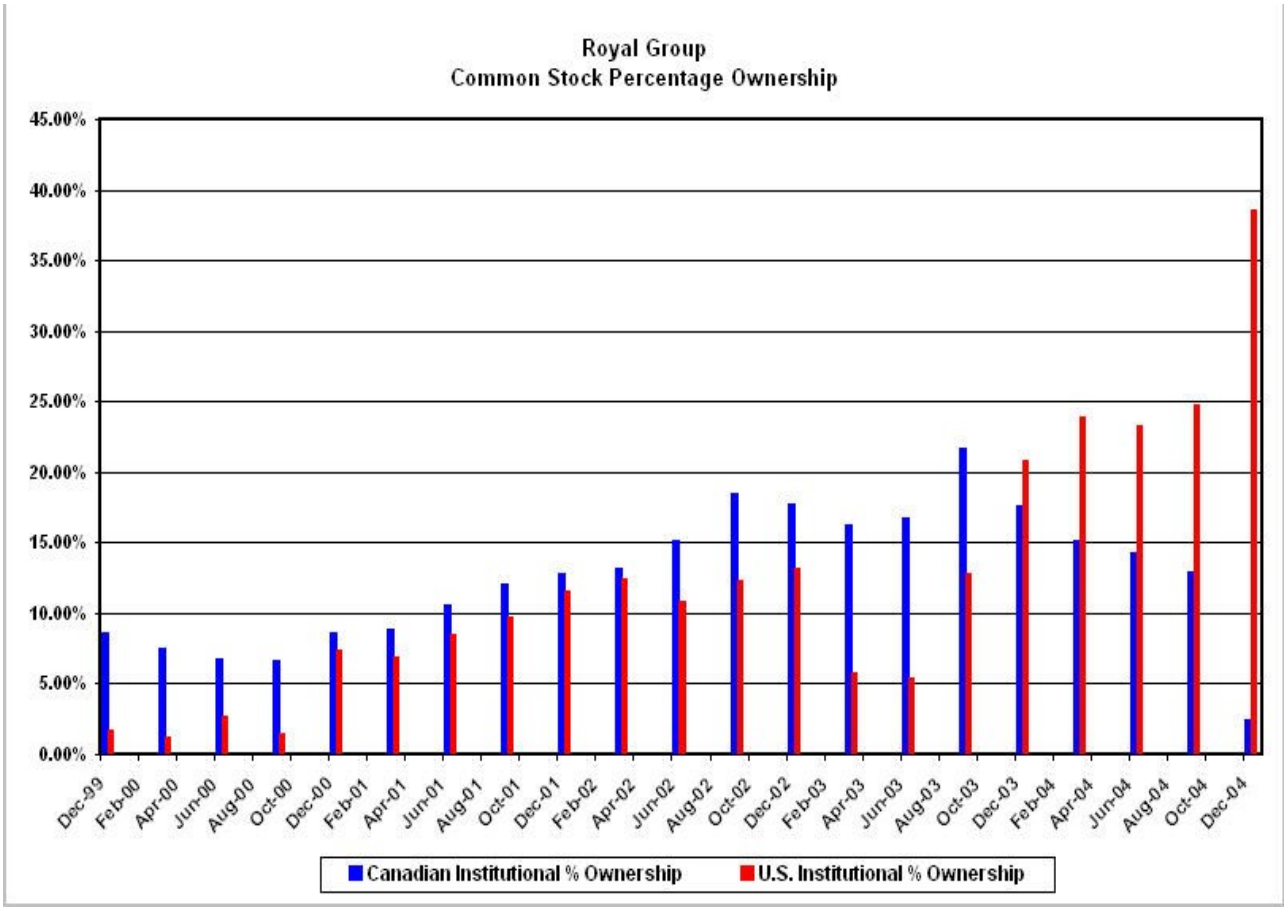
15. U.S. investors have a significant interest in this action. U.S. investors owned a large percentage of Royal Group's common stock during the Class Period and were damaged as a result of Defendants' fraud. By the end of the Class Period, U.S. institutional investors alone owned almost 40% of Royal Group's total outstanding shares. U.S. investors owned even a larger number of Royal Group shares when shares owned by individual investors, such as each of the Plaintiffs, are considered.

16. Additionally, U.S. investors increased their ownership in Royal Group shares during the Class Period – purchasing millions of shares at artificially inflated prices as a result of Defendants' fraud. Throughout the Class Period, U.S. investors significantly increased their ownership of Royal Group shares in both the number of shares and the percentage of their ownership of Royal Group while Canadian investors decreased their ownership of Royal Group shares in both number of shares and percentage terms.

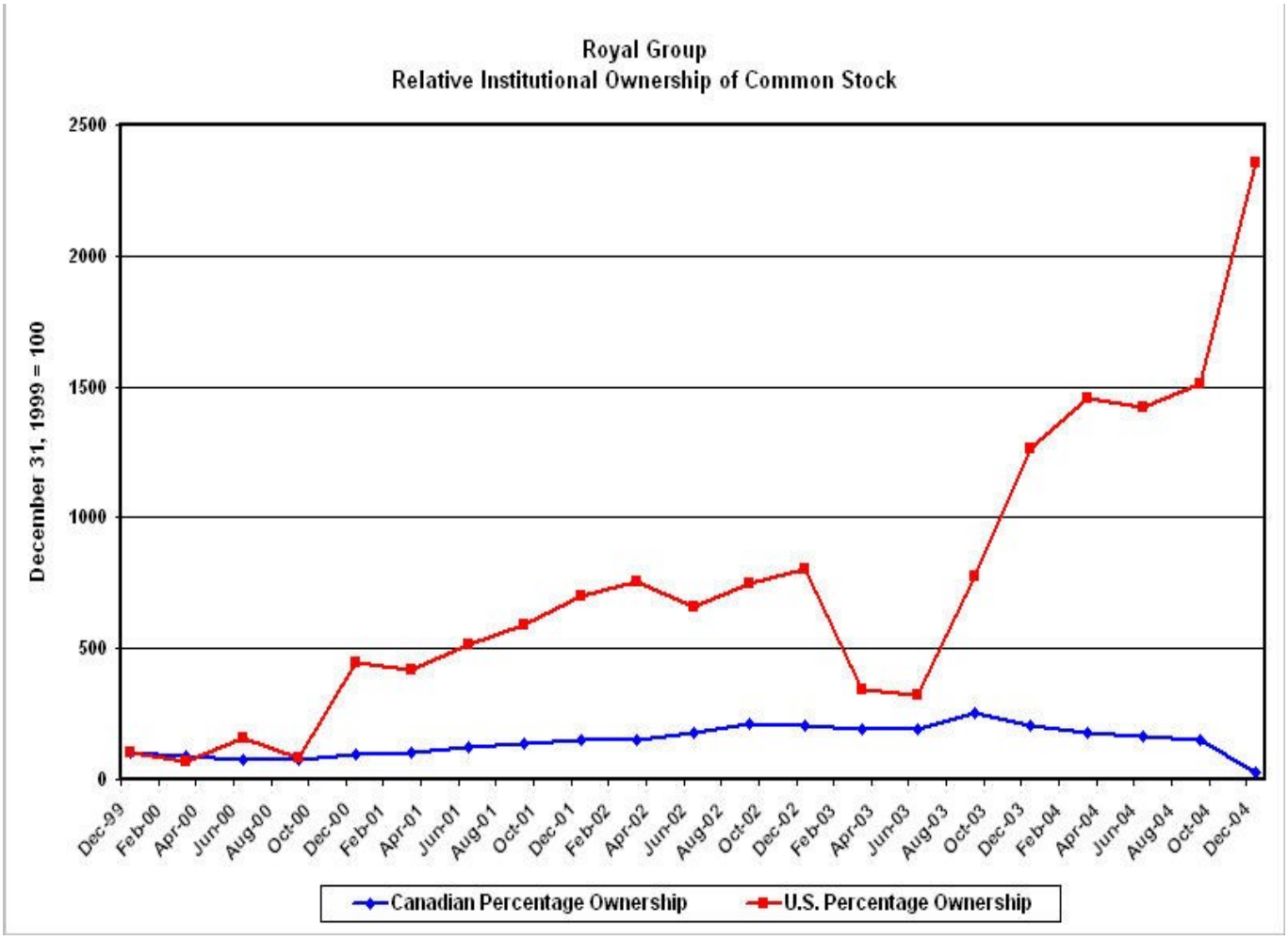
17. Specifically, just prior to the start of the Class Period, as of December 31, 1999, U.S. institutional investors owned approximately 1,093,340 shares (or 1.63%) of Royal Group's common stock. As of December 31, 1999, Canadian institutional investors owned approximately 5,740,030 shares (or 8.57%) of Royal Group's common stock. Throughout the Class Period, as Defendants

perpetrated their fraud and Royal Group's stock was artificially inflated, U.S. institutional investors (and individual investors) significantly increased their ownership in Royal Group while Canadian investors significantly decreased their ownership in Royal Group. By the end of the Class Period, U.S. institutional investors far surpassed Canadian institutional investors in terms of share ownership in Royal Group. As of December 31, 2004, U.S. institutional investors owned approximately 29,743,012 shares (or 38.42%) of Royal Group's common stock. In stark contrast, as of December 31, 2004, Canadian institutional investors owned only approximately 1,856,734 shares (or 2.40%) of Royal Group's common stock.

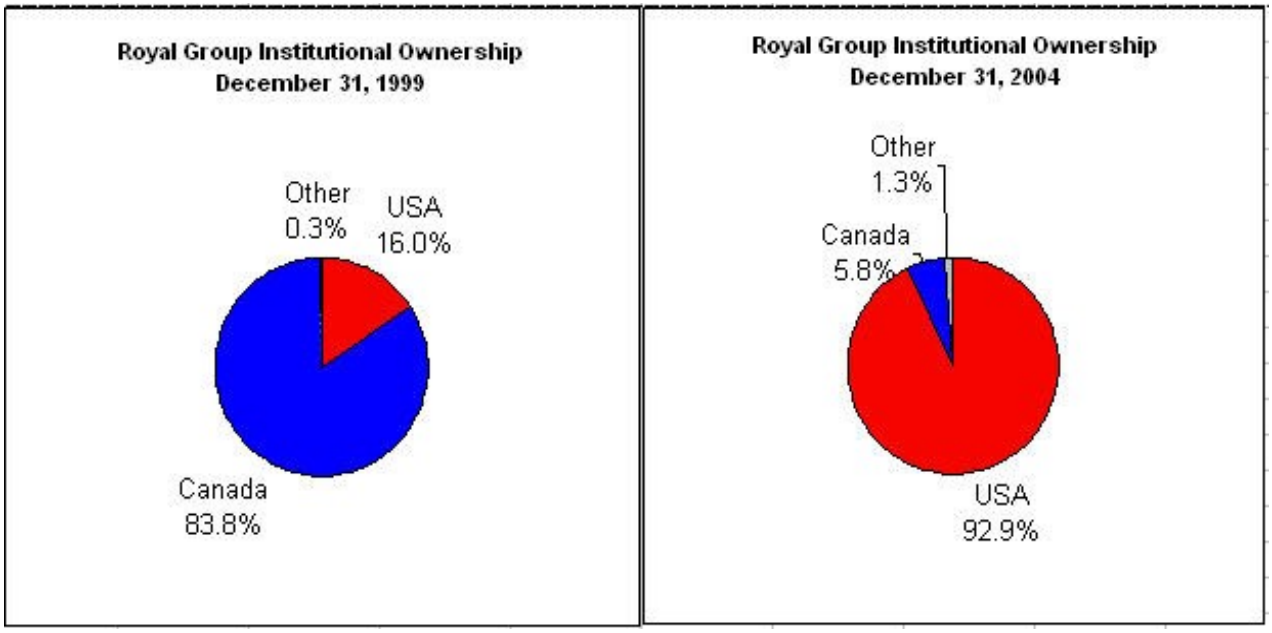
18. The chart below shows the percentage of Royal Group shares owned by U.S. institutional investors compared to the percentage of shares owned by Canadian institutional investors during the Class Period:



19. The chart below compares the relative change in the number of Royal Group shares owned by U.S. institutional investors to the number of Royal Group shares owned by Canadian institutional investors during the Class Period. This chart shows that U.S. institutional investors increased their ownership in Royal Group by nearly 2500% while Canadian institutional investors reduced their ownership in Royal Group:



20. The chart below shows the change in the ownership structure of Royal Group by institutional investors from the start of the Class Period to the end of the Class Period:



21. Furthermore, in addition to owning a large percentage of Royal Group shares in the aggregate, individual U.S. institutional investors were also major shareholders of Royal Group. For example, as of December 31, 2004, the top seven Royal Group shareholders were U.S. institutions:

U.S. Investor	# Shares
BRANDES INVT PARTNERS, LLC	7,751,144
FIDELITY MANAGEMENT & RESEARCH	7,010,400
DONALD SMITH & COMPANY, INC.	4,742,950
WELLS CAPITAL MGMT (STRONG)	3,086,468
CAPITAL RESEARCH & MGMT CO	2,500,000
AMERICAN EXP FINANCIAL ADVR	1,360,900
AEGIS FINANCIAL CORPORATION	1,230,900

22. Plaintiffs and each member of the Class purchased or acquired shares of Royal Group in the United States in American dollars on the NYSE – an American stock exchange - or is a U.S. citizen or entity that purchased shares of Royal Group on the TSE while located in the United States. Because U.S. institutional and individual investors purchased such a large percentage of Royal Group shares during the Class Period, a large number of the total Royal Group securities transactions

were conducted either in the U.S. in American dollars or by Americans located in the U.S. over the TSE.

23. Defendants sought investments by U.S. investors by registering Royal Group's stock on the NYSE and filing periodic and other statements with the SEC. The large number of U.S. investors who purchased shares of Royal Group demonstrates that Royal Group successfully attracted U.S. investors.

24. Additionally, Defendants availed themselves of the U.S. securities markets by entering into forward purchase agreements with Salomon Brothers, Inc. in the United States and then delivering shares in the United States, in connection with the forward purchase agreements, to unit holders of a Debt Exchangeable into Capital Stock ("DECS") trust. The DECS trust enabled Defendants to profit from their fraudulent conduct alleged herein. Defendants' conduct in the U.S. was a material part of their fraudulent scheme.

THE PARTIES

25. Lead Plaintiffs Philip Zipin, Marcia B. Snow, and Lewis Messinger are United States citizens who purchased Royal Group common stock on the NYSE during the Class Period, as set forth in the attached certifications, while in the United States in American dollars and were damaged as a result of the securities law violations alleged herein.

26. Defendant Royal Group, a Canadian corporation, is a vertically integrated manufacturer of polymer-based home improvement, consumer and construction products. Its principal executive offices are located at 1 Royal Gate Boulevard, Woodbridge, Ontario L4L 8Z7. Royal Group's operations are located primarily in Canada and the United States, with international locations in Mexico, South America, Europe and Asia. The Company's operations are arranged into two segments, Products and Support. The Products segment consists of 58 wholly owned or joint ventured business units engaged in the manufacture of the following product lines: home

improvement products, consumer products, and construction products. The Support segment consists of 17 wholly owned or joint ventured business units. It is tasked with a series of activities primarily supplied to the Products segment to facilitate customer service, rapid product development and a low cost structure.

27. As of November 15, 2005, Royal Group had more than 93 million shares outstanding and trading on the NYSE and TSE. During the Class Period, and up until June 23, 2005, Royal Group had two types of common shares, subordinate voting common shares ("Subordinate Voting Shares") and multiple voting shares ("Multiple Voting Shares"). Defendant De Zen controlled 100% of the Multiple Voting Shares, as detailed below. On or about June 23, 2005, in connection with a settlement between the Company and De Zen concerning the wrongdoing alleged herein, De Zen's Multiple Voting Shares were converted to single voting shares, resulting in Royal Group having one class of voting shares.

28. As of December 31, 2004, there were 77,420,726 Subordinate Voting Shares issued and outstanding. Each Subordinate Voting Share was entitled to one vote per share at all meetings of shareholders and participated equally as to dividends with each Multiple Voting Share. As of December 31, 2004, there were 15,935,444 Multiple Voting Shares issued and outstanding. Each such share was entitled to 20 votes per share at all meetings of shareholders and participated equally as to dividends with each Subordinate Voting Share. Each Multiple Voting Share was able to be converted at any time into a fully paid Subordinate Voting Share on a one-for-one basis, at the shareholder's option.

29. Defendant De Zen co-founded the Company and served as the Chairman of the Company's Board of Directors from 1994, when the Company went public, until November 2004 when he was dismissed as Chairman of the Board. De Zen served as the Company's Chief

Executive Officer from 1994 until December 18, 2003. As of February 5, 2004, De Zen beneficially owned 15,935,444 shares (or 100%) of the Company's Multiple Voting Shares, which represented approximately 80.5% of all voting rights, and 6,035 shares of the Company's Subordinate Voting Shares. Following the conversion of De Zen's Multiple Voting Shares to Subordinate Voting Shares, De Zen resigned from the Company's Board of Directors.

30. Defendant Douglas Dunsmuir ("Dunsmuir") served as a director of the Company at all relevant times herein. Defendant Dunsmuir joined Royal Group in 1986 as its General Counsel, and has been involved with Defendant De Zen in strategic planning, operational management as well as negotiation of all of Royal Group's major transactions since joining the Company. Defendant Dunsmuir became President of Royal Group in March 2002, Co-Chief Executive Officer in September 2003, and Chief Executive Officer in December 2003.

31. Defendant Gary Brown ("Brown") served as a director of the Company and Executive Vice President and Chief Financial Officer from 1994 until December 2001.

32. Defendant Ron Goegan ("Goegan") served as the Company's Senior Vice President and Chief Financial Officer from December 1, 2001 until November 2004, when he was terminated for cause by the Board of Directors. Goegan joined Royal Group in 1990 as Director of Corporate Finance, becoming Vice President of Corporate Finance when Royal became a public company in 1994. According to the Company, Goegan facilitated an undisclosed related-party land purchase transaction between the Company and an affiliated entity, Royal St. Kitts Beach Resort Limited.

33. The individuals named as Defendants in ¶¶29-32 are referred to herein as the "Individual Defendants." The Individual Defendants signed Royal Group's filings with the SEC which contained the false and misleading statements as alleged in detail below. De Zen and Brown signed Royal Group's 1999 Annual Report, filed with the SEC on Form 40-F on February 24, 2000.

De Zen, Brown and Dunsmuir signed Royal Group's 2000 Annual Report, filed with the SEC on Form 40-F on February 9, 2001. De Zen signed Royal Group's Form 6-K report filed with the SEC on January 15, 2002, which included Royal Group's 2001 Annual Report signed by De Zen and Brown and 2002 Proxy Statement signed by De Zen. De Zen signed Royal Group's Form 6-K report filed with the SEC on January 10, 2003, which included the 2002 Annual Report signed by De Zen, Goegan and Dunsmuir and the 2003 Proxy Statement signed by De Zen and Dunsmuir. Royal Group's Form 6-K report, filed with the SEC on February 5, 2004, included the 2003 Annual Report signed by De Zen, Goegan and Dunsmuir, and the 2004 Proxy Statement signed by Dunsmuir.

34. It is appropriate to treat the Individual Defendants as a group for pleading purposes and to presume that the materially false, misleading and incomplete information conveyed in the Company's public filings, press releases and other publications as alleged herein are the collective actions of the narrowly defined group of Defendants identified above. Each of the Individual Defendants, by virtue of his high-level position with the Company, directly participated in the management of the Company, was directly involved in the day-to-day operations of the Company at the highest levels and was privy to confidential proprietary information concerning the Company and its business operations, products, growth, financial statements, and financial condition, as alleged herein. The Individual Defendants were involved in drafting, preparation and/or dissemination of the various public, shareholder and investor reports and other communications alleged herein, were aware of, or recklessly disregarded, that materially false and misleading statements were being issued regarding the Company, and approved or ratified these statements, in violation of the federal securities laws.

35. Because of their Board memberships and/or executive and managerial positions with Royal Group, each of the Individual Defendants had access to the adverse non-public information

about the undisclosed related-party transactions, business, operations, finances, markets, financial statements, and present and future business prospects of Royal Group particularized herein via access to internal corporate documents, conversations or communications with corporate officers or employees, attendance at management and/or Board of Directors meetings and committees thereof, and/or via reports and other information provided to them in connection therewith.

36. The statements made by the Individual Defendants, as particularized below, were materially false and misleading when made. The true nature of the related-party transactions detailed herein, and the financial and operating condition of the Company, which was known or recklessly disregarded by the Individual Defendants, remained concealed from the investing public throughout the Class Period. The Individual Defendants, who were under a duty to disclose those facts, instead misrepresented or concealed them during the relevant period herein. As officers and directors, and controlling persons, of a publicly held company whose securities were, and are, registered with the SEC pursuant to the Exchange Act, and were traded on the NYSE, and governed by the provisions of the federal securities laws, the Individual Defendants each had a duty to promptly disseminate accurate and truthful information with respect to related-party transactions involving Royal Group and Royal Group's financial condition and performance, growth, operations, financial statements, business, products, markets, management, earnings and business prospects, and to correct any previously issued statements that had become materially misleading or untrue, so that the market price of the Company's publicly traded securities would be based upon truthful and accurate information. The Individual Defendants' misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

37. The Individual Defendants, because of their positions of control and authority as officers and/or directors of the Company, were able to and did control the content of the various SEC

filings, press releases and other public statements pertaining to the Company issued during the Class Period. Each Individual Defendant was provided with copies of the documents alleged herein to be materially misleading prior to or shortly after their issuance and/or had the ability and/or opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them but not the public, each of the Individual Defendants knew or recklessly disregarded that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public and that the representations concerning the Company complained of herein were then materially false and misleading. Accordingly, each of the Individual Defendants is responsible for the accuracy of the public reports and releases detailed herein and is therefore primarily liable for the representations contained therein.

38. Each of the Individual Defendants is liable as a direct participant in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers or acquirers of Royal Group's shares during the Class Period by engaging in related-party and self-dealing transactions in order to reap substantial financial rewards and by disseminating materially false and misleading statements and/or concealing material adverse facts. The scheme: (i) deceived the investing public regarding the integrity of Royal Group's management; (ii) deceived the investing public regarding Royal Group's business, operations, management and the intrinsic value of Royal Group's shares; (iii) enabled the Individual Defendants to use the assets of the Company for their own personal gain; (iv) permitted Royal Group to maintain credit ratings so that Royal Group could accumulate more and more debt to enable the Individual Defendants to engage in additional related-party transactions; (v) enabled the Individual Defendants and Royal Group employees to dispose of approximately $130 million of their personal Royal Group securities in connection with transactions with the unsuspecting public; and (vi) caused Plaintiffs and other members of the Class to purchase or

otherwise acquire Royal Group's shares at artificially inflated prices and caused them to suffer losses.

CLASS ACTION ALLEGATIONS

39. Plaintiffs bring this action as a class action pursuant to Federal Rules of Civil Procedure 23(a) and (b)(3) on behalf of (i) all United States citizens and entities that purchased or otherwise acquired the common stock of Royal Group on the NYSE or TSE, and (ii) all foreign persons and entities that purchased or otherwise acquired the common stock of Royal Group on the NYSE, between February 24, 2000, and October 18, 2004, inclusive, and were damaged thereby. Excluded from the Class are Defendants, the members of the Individual Defendants' families, any entity in which any Defendant has a controlling interest, or which is a parent or subsidiary of, or which is controlled by, the Company, and the officers, directors, affiliates, legal representatives, heirs, predecessors, successors, or assigns of any of the Defendants.

40. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, Royal Group's shares were actively traded on the NYSE and TSE, which are both well-developed and efficient markets. As of November 15, 2005, the Company had approximately 93.44 million shares outstanding. While the exact number of Class members is unknown to Plaintiffs at this time and can only be ascertained through appropriate discovery, Plaintiffs believe that there are hundreds, if not thousands, of members of the proposed Class. Record owners and other members of the Class may be identified from records maintained by Royal Group or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

41. Plaintiffs' claims are typical of the claims of the members of the Class they seek to represent because Plaintiffs and the Class members sustained damages which arose out of Defendants' unlawful conduct complained of herein.

42. Plaintiffs are representative parties who will fairly and adequately protect the interests of the Class, and have retained counsel competent and experienced in class and securities litigation. Plaintiffs do not have interests antagonistic to or in conflict with those of the other Class members they seek to represent.

43. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members of the Class is impracticable. Furthermore, as the damages suffered by individual members of the Class may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

44. There are questions of law and fact common to the Class which predominate over any questions which may affect individual members. Among the questions of law and fact common to the Class are:

(a) whether the Exchange Act was violated by Defendants as alleged herein;

(b) whether statements made by Defendants to the investing public during the Class Period misrepresented and/or omitted material facts;

(c) whether Defendants acted with scienter in issuing materially false and misleading statements;

(d) whether the market prices of securities during the Class Period were artificially inflated due to the material nondisclosures and/or misrepresentations complained of herein; and

(e) whether the members of the Class have sustained damages, and, if so, the appropriate measure of damages.

SUBSTANTIVE ALLEGATIONS

Unbeknownst to Investors, De Zen and His Cohorts Engage in a Variety of Related-Party Transactions with Royal Group

45. Prior to and throughout the Class Period, De Zen and the other Individual Defendants ignored any semblance of appropriate corporate governance and engaged in a series of related-party transactions with Royal Group. None of the transactions were disclosed to Royal Group investors during the Class Period. Had Defendants disclosed their pattern of self-dealing, Royal Group investors would have known what Defendants knew but concealed: that the Company lacked any of the internal controls necessary to prevent insider self-dealing and that, as a result of that deficiency, De Zen and other Royal Group insiders routinely were causing the Company to engage in financial transactions to benefit themselves personally.

46. The Exchange Act requires that related-party transactions must be disclosed in SEC filings in order to enable investors to properly evaluate the management of a Company. The mere existence of related-party transactions sheds light on the motivations of management and their intentions with respect to the management of the business affairs of a company, *i.e.*, whether or not they will favor their personal interests over those of the company.

The Vaughan West Lands Transaction

47. A company owned by Defendants De Zen, Brown, Dunsmuir and other Company insiders purchased what has been called the "Vaughan West Lands" in 1998 for approximately $20.9 million. The Vaughan West Lands consisted of approximately 185 acres of land in Woodbridge, Ontario. Immediately after the closing of this land transaction, De Zen, along with several of the Individual Defendants, caused Royal Group to purchase the Vaughan West Lands from them by purchasing their company for $27.4 million, thereby immediately reaping $6.5 million in gains for De Zen, Brown, Dunsmuir and other Royal Group insiders at the expense of Royal

Group. In other words, De Zen and his associates used their control of Royal Group to loot $6.5 million from the Company (the "Vaughan West Lands Transaction").

48. Royal Group has now admitted that the Vaughan West Lands Transaction was neither disclosed to shareholders nor approved by the Company's Board. As admitted by the Company in a conference call with investors on November 24, 2005, "the fact that the land was owned by officers and directors of the Company was not disclosed. And what was not authorized was a related-party transaction to acquire the land." This improper and undisclosed transaction led to the dismissal of Defendants De Zen, Dunsmuir and Goegan.

The Masonite Warrant Exercise

49. In early 2000, the Company received 200,000 warrants for shares of another public company, Premdor Inc., now known as Masonite International Corporation ("Masonite"), as partial consideration for the sale of a Royal Group subsidiary to Masonite.

50. In early 2002, Masonite's shares were trading at approximately $21.74, which was $8.50 more than the exercise price of the warrants. Certain Company employees devised a scheme to use their own capital to fund the exercise of the warrants so they could realize the gain on the warrants instead of the Company (the "Masonite Warrant Exercise").

51. In 2002, five senior Royal Group executives, including Defendants De Zen, Dunsmuir and Goegan, and one employee used their control over the Company and exercised the warrant for their own benefit, resulting in a gain of about $1.7 million. The employees deposited a total of $2.65 million with the Company, which funded the Company's payment to Masonite to exercise the warrants. The executives then charged Royal Group to distribute the Masonite shares obtained to them personally, then misappropriated Royal Group assets worth $1.7 million more than disclosed to the Board or Audit Committee during the Class Period. The shares obtained were then

distributed by the Company to the six individuals. The warrant exercise and the transfer of the shares to the individuals were not recorded in the accounting records of the Company.

The Resort Transactions

52. Defendants De Zen, Dunsmuir and Goegan, in addition to Company Co-founder Dominic D'Amico, owned and controlled an entity known as Royal St. Kitts Beach Resort Limited (the "Resort"). The Resort consisted of the St. Kitts Marriott Resort and the Royal Beach Casino, which was a 600-room hotel with a full-service spa and six on-site restaurants. The Resort ownership included the following current or former directors or executive officers of the Company and their approximate percentage ownership: Defendant De Zen (59.9%), Defendant Dunsmuir (5%), Defendant Goegan (0.02%), Fortunato Bordin (a former Company employee) (20%), and Angelo Bitondo (a former Company employee) (0.01%). Dominic D'Amico owned 15%. Goegan and Bitondo divested themselves of their ownership in December 2004.

53. From 1998 until at least 2002, Defendant De Zen, and at least the above-listed Individual Defendants Dunsmuir and Goegan, caused the Company to engage in secretive and undisclosed transactions with the Resort (and possibly other entities related to the Individual Defendants) which included selling the Resort more than $32 million in products and services (the "Resort Transactions"). None of these transactions were disclosed in a timely manner, or reviewed by the Board or the Audit Committee.

54. A summary of the value of the Resort Transactions are as follows:

1998	$ 150,000
1999	3,750,000
2000	9,620,000
2001	7,560,000
2002	11,460,000
Total	**32,540,000**

Defendant De Zen Used Company Assets, Benefits, and Facilities for His Personal Use

55. Beginning as early as 1997 and continuing until at least 2003, Defendant De Zen used the Company and Company assets for personal and non-business related purposes, in order to benefit himself and his family members. De Zen's view was that Royal Group was "his" company.

56. Between 1998 and 2003, De Zen caused the Company to facilitate foreign currency exchange transactions at exchange rates available to the Company, and utilized Company bank accounts to transfer funds internationally on behalf of De Zen, a significant shareholder, and certain Company executives in the amount of $95,000,000. Although the Company later disclosed that Company funds were not used, these transactions were not properly disclosed to the Company's shareholders.

57. Between 1997 and 2002, the Company managed the construction of four real estate developments for De Zen and his family members. The Company paid invoices associated with these projects aggregating $21,100,000. Although the Company later disclosed that it was reimbursed by these individuals, these transactions were not disclosed.

From 1998 to 2002, the Company Sold De Zen and His Family Members Assets, Parts and Services Worth More than $830,000

58. During 2000 and 2002, in undisclosed related-party transactions, the Company sold assets for $240,000 and $300,000, respectively, to companies controlled by Defendant De Zen.

59. From 1998 to 2002, in undisclosed related-party transactions, the Company sold parts and services to De Zen's family members for $290,000.

The Company Spent $16.45 Million for Interests in Companies Owned by Defendant De Zen, Brown and Dunsmuir

60. From 1995 to 1997, in a series of undisclosed related-party transactions, the Company or certain of its subsidiaries spent approximately $16.45 million for interests in companies owned by De Zen.

61. In January 1997, the Company acquired Baron Metals Industries Inc., a company that Defendant De Zen held a 17.7% interest in, for $11,500,000. Neither Royal Group's Board nor the Audit committee reviewed this transaction.

62. In 1996, the Company acquired three businesses, Jovien Associates Ltd., Royal King Electric Ltd. and La Pineta Dining & Banquets Ltd., from De Zen, Brown, Dunsmuir and others for $2,900,000. Neither Royal Group's Board nor the Audit Committee reviewed this transaction.

63. In 1999, the Company acquired 75% of Top Gun Electrical Supply Ltd., from Defendants De Zen, Brown, Dunsmuir and others for $1,870,000. Neither Royal Group's Board nor the Audit Committee reviewed this transaction.

64. In September 1995, the Company purchased from Defendants De Zen, Brown and Dunsmuir and others their 50% interest in Hanmar Mechanical Services Inc. for $180,000. Neither Royal Group's Board nor the Audit Committee reviewed this transaction.

Between 1994 and 2000, Defendants Caused the Company to Engage in More than $7.3 Million-Worth of Undisclosed Related-Party Real Estate Transactions

65. Between 1994 and 2000, Defendants caused the Company to engage in more than $7.3 million worth of undisclosed related-party real estate transactions.

66. In 1997, the Company purchased two parcels of real estate from a company related to Greg Sorbara, a Company director, for $2,550,000. Neither Royal Group's Board nor the Audit Committee reviewed this transaction.

67. In 1998, the Company purchased two parcels of real estate from Defendant De Zen for $2,900,000. Neither Royal Group's Board nor the Audit Committee reviewed this transaction.

68. Between 1994 and 2000, the Company sold to Defendant De Zen over $1.3 million in real estate. Neither Royal Group's Board nor the Audit Committee reviewed this transaction. A summary of the value of those transactions are as follows:

1994	$ 220,000
1995	810,000
1996	90,000
2000	200,000
Total	**1,320,000**

69. In 2003, the Company sold real estate to Defendant De Zen's family members, certain employees and a former employee for $350,000. Neither Royal Group's Board nor the Audit Committee reviewed this transaction.

70. In 1995 and 1997, the Company sold real estate to a significant shareholder for $110,000 and $80,000, respectively.

71. Additionally, between 1999 and 2001, the Company entered into nine joint land service agreements with companies related to Defendant De Zen and a director of the Company. Neither Royal Group's Board nor the Audit Committee reviewed this transaction.

72. None of the related-party transactions described in ¶¶45 to 71 were disclosed to Company investors as required during the Class Period.

In December 2003, the OSC Launched an Investigation to Determine Whether the Individual Defendants Engaged in Fraudulent and Wrongful Practices

73. On or about December 22, 2003, the OSC advised Royal Group that it had commenced a regulatory probe, investigating five years' worth of transactions including the flow of goods and services between the Company and the Resort.

74. The OSC informed the Company that its staff believed "the investigation has reached a stage such that it is a material fact." Notwithstanding the fact that the OSC viewed the investigation as a material fact, the Company refused to disclose the existence of the investigation to the Company's shareholders in December 2003 or the self-dealing transactions that were the subject of the investigation. Instead, the Company argued before the TSE and Market Regulation Services Inc., which supervises trading on Canada's two equity exchanges, that without further information from the OSC the investigation did not have to be publicly disclosed. Ultimately, on February 25, 2004, the OSC forced the Company to disclose the probe to shareholders.

75. As reported in an article in the Toronto Star entitled "Royal Mystery Deepens," dated October 15, 2004:

> Royal Group and the OSC clashed in December when commission staff indicated they believed the investigation had become a 'material fact' the company should disclose publicly. The company argued that without more details, it did not need to disclose the probe. The TSX and Market Regulation Services agreed. But in February, the OSC forced the company to reveal the probe into its affairs.

76. As a direct result of the Company's disclosures of the OSC's investigation, and the partial revelations of Defendants' self-dealing transactions, shares of the Company's stock fell on unusually high volume from $13.03 per share prior to the announcement (on February 24, 2004) to $10.39 after the announcement (on February 26, 2004), representing a decline of more than 20%. Thus, the stock price declined when the truth began to emerge. This drop removed a portion of the artificial inflation from Royal Group's stock price, causing real economic loss to investors who purchased the stock during the Class Period.

The Company Determined After an Internal "Investigation" that No Further Actions Be Taken

77. During April 2004, the Company established a "Special Committee" in connection with the OSC's investigation in order to conduct an independent inquiry into the principal subject

matter of the investigation, the transactions between the Company and the Resort. The Special Committee retained Kroll Lindquist Avey ("Kroll") to conduct this internal inquiry.

78. On or about April 21, 2004, at the conclusion of the inquiry, the Special Committee recommended that no further investigative action be taken. The Special Committee concluded that although the opportunity existed for the Company to absorb costs improperly from the Resort project, there was no evidence of wrongdoing.

The OSC and RCMP Continue Their Investigation of Royal Group

79. On October 5, 2004, the RCMP filed a Production Order in court issued to the Bank of Nova Scotia in connection with the OSC's investigation of Defendants' self-dealing transactions. The Production Order was issued by a Justice in Ontario and required the bank to turn over voluminous documents, including those relating to deposit and withdrawal transactions exceeding $10,000 between January 1, 1996, and July 30, 2004, as well as financial statements, tax returns, loans and personal lines of credit in relation to four companies, Royal Building Systems, a subsidiary of the Company, the Resort and two other affiliates of the Resort.

80. As reported in an October 15, 2004, article on GlobeandMail.com entitled "Conspiracy Alleged at Royal Group":

> According to the court documents, RCMP are investigating allegations that between Jan. 1 1996 and the present, Mr. De Zen, Mr. Dunsmuir, and Mr. Brown used "deceit, falsehood or fraudulent means" to defraud Royal Group shareholders or creditors. The document also alleges the three men conspired together and with others to commit fraud.
>
> * * *
>
> The police are looking into whether Mr. De Zen and others deceived shareholders by releasing a prospectus or making a statement which they "knew was false in material [respects] . . . with intent to induce persons" to become shareholders or partners of the company, and to defraud shareholders or creditors.

> The documents list Royal Building Systems, Roycon Ltd., 1260339 Ontario Ltd., and Royal St. Kitts Beach Resort Ltd. as companies that could provide evidence of the alleged offenses.
>
> RCMP are examining accounts liked to the above companies, including account applications, account authorizations, signature cards, statements of account transaction including deposit transactions and withdrawal transactions, all source information of deposit and withdrawal transaction as well as credit and debit memos.
>
> * * *
>
> The Ontario Securities Commission and RCMP investigations were believed to be focused on $32-million in transactions between the company and a luxury resort in St. Kitts co-owned by . . . Mr. De Zen. . . .
>
> The OSC is also probing Royal Group's disclosure practices, financial statements and trading in its stock.

81. On October 6, 2004, Market Regulation Services, which monitors trading on the TSE, informed the Company that it too had copies of the RCMP's search warrants. As a result of this information, Maureen Jensen, head of surveillance at the Market Regulation Services, informed Royal Group that trading of its stock would be halted on the TSE and the NYSE unless the Company disclosed the existence of the search warrants. As reported in an October 16, 2004 article in the National Post entitled "Dark Cloud Gathers Over Royal Group," "Jensen said shareholders had the right to know about the allegations contained in the search warrants, namely, that three past and present executives of the company, including De Zen, were named in an alleged conspiracy to defraud shareholders."

82. On October 12, 2004, the OSC informed Royal Group that it had a copy of the Production Order and that it considered the mere existence of the Production Order to be a "material fact." The OSC then gave Royal Group an ultimatum – put out a press release disclosing the existence of the Production Order, or the OSC would do so.

83. Rather than ensure that the Company's shareholders were fully aware of all material information about the Company, Defendants concealed the existence of the investigation, as they had

done when faced with the initial phase of the OSC's investigation in December 2003. In fact, the Company scrambled in order to prevent the information about the Production Order (and the underlying self-dealing transactions) from being publicly disclosed. Royal Group filed an application in the Ontario Court of Justice to prohibit the media from reporting on the probe. Royal Group argued that the disclosure of the court documents could have a detrimental impact on the Company's stock price. The Company also argued that if the Production Order were disclosed, Royal Group may "suffer changes in its credit ratings, which will increase borrowing costs."

84. On October 15, 2004, the Ontario Court of Justice denied Royal Group's request to place a court seal on the documents. Market Regulation Services said that it expected the Company to issue a release within an hour of the ruling, but Royal Group did not comply until approximately six hours later. As reported in an October 16, 2004 article in the National Post titled "RCMP Probes Royal Group Over Fraud Allegations," Doug Maybee, a spokesman for Market Regulation Services said: "We believe Royal Group has not lived up to its timely disclosure responsibilities." As reported the same day in an article titled "Dark Cloud Gathers Over Royal Group," Maybee also stated: "To delay releasing this material is harming their shareholders. It is depriving their shareholders of a market for their securities."

85. On October 15, 2004, the Company disclosed details of the Production Order and RCMP's criminal investigation into the Individual Defendants. As a direct result of this disclosure concerning Defendants' significant self-dealing transactions, the price of Royal Group stock dropped by $1.12 per share (or approximately 12.5%), falling from $8.97 per share on October 13, 2004 (the last day of trading prior to the announcement), to $7.85 per share on October 18, 2004.

86. Although the Company eventually disclosed the existence of the Production Order (and the underlying self-dealing transactions), the delay in the Company's disclosure resulted in a

three-day halt of trading of the stock. As reported in an October 15, 2004 article in the Toronto Star, titled "Royal Mystery Deepens":

> Trading in shares of Royal Group Technologies Ltd. remains frozen for a third consecutive day today as secrecy shrouds developments concerning the giant building-products manufacturer. The regulator for the Toronto Stock Exchange halted trading in Royal Group's stock Wednesday afternoon because it believes the company has information that should be publicly available to all investors. But by later yesterday, Vaughan-based Royal Group, which is under investigation by the RCMP and the Ontario Securities Commission, still had not disclosed any information.

87. An RBC Capital Markets research report on Royal Group dated October 18, 2004, commented on how long it took the Company to disclose the probe to investors and stated:

> We are shocked by the length of time it took Royal to issue a press release in connection with this matter, which will allow its shares to resume trading following a halt that lasted more than two days. . . . While it does not appear that Royal itself is the subject of the RCMP investigation, the allegations against its current and former executives are damaging to management credibility, even though they remain unproven. . . . Furthermore, the company has a term loan of $424 million that is repayable on April 28, 2005, and the uncertainty created by this investigation may make it more difficult and/or more costly to replace that financing, particularly given that Standard & Poor's put Royal on credit watch with negative implications on Friday.

88. Finally, after the close of trading on October 18, 2004, the Company disclosed that not only were the Individual Defendants the subject of the RCMP's criminal investigation but that the Company itself was also a target of the investigation in connection with Defendants' self-dealing transactions. As a direct result of the Company's additional disclosures concerning the self-dealing transactions entered into between the Individual Defendants and the Company, on the next trading day (October 19, 2004), shares of the Company's stock continued to plunge, falling $0.70 per share, or almost 9%, to close at $7.15 per share, on unusually high trading volume. Thus, the stock price declined when the truth was finally disclosed. These drops removed the remaining artificial inflation from Royal Group's stock price, causing real economic loss to investors who purchased the stock during the Class Period.

89. The decline in Royal Group's stock price near and at the end of the Class Period was a direct result of the nature and extent of Defendants' prior misstatements and fraudulent conduct finally being revealed to investors and the market. The timing and magnitude of Royal Group's stock price declines negate any inference that the loss suffered by Plaintiffs and other Class members was caused by changed market conditions, microeconomic or industry factors or Company-specific facts unrelated to the Defendants' fraudulent conduct. The economic loss, *i.e.*, damages, suffered by Plaintiffs and other members of the Class was a direct result of Defendants' fraudulent scheme to artificially inflate Royal Group's stock price and the subsequent significant decline in the value of Royal Group's stock when Defendants' prior misrepresentations and other conduct were revealed.

90. As expected by Defendants (as reflected by their argument against disclosure of the court documents to shareholders and the public), the disclosure of these investigations also harmed Royal Group's credit rating. Standard & Poor's ("S&P") put Royal Group on credit watch with negative implications amid concerns that the probe could hinder the Company's ability to refinance debts.

91. The risk of a downgrade was expected by the Company and a motivation behind Defendants' reluctance to disclose this information to its shareholders when the Company was advised of the initial investigation in December 2003.

Post-Class Period Disclosures

92. On October 21, 2004, the Company announced that it expanded the Special Committee of its Board of Directors that had been established in December 2003. The Special Committee was expanded to include all five of the independent directors of the Company at that time. The mandate of the Special Committee was broadened to include all aspects of the investigations and inquiries by securities regulatory authorities and the RCMP (and any similar or related investigations and inquiries that may be commenced by these or other authorities), all

communications with the public, and to make determinations with respect to the continued role in the Company of any individuals involved in the regulatory or law enforcement investigations or proceedings.

93. On October 28, 2004, the Company announced that on the prior day, it received a copy of a second Production Order, issued on October 25, 2004, by a Justice in Ontario and addressed to the Company's lead bank. The second Production Order, which relates to the time period January 1, 1996 to October 25, 2004, required the bank to produce certain documents to the RCMP concerning the Company and related individuals and entities.

94. The October 2004 Production Orders collectively named each of the Individual Defendants. They included allegations of actions contrary to the Canadian Criminal Code and allegations of intent to defraud the shareholders and creditors of the Company, and to deceive the shareholders and others by circulating or publishing in a prospectus or statement or account which was known to be false.

95. The Bank of Nova Scotia turned over approximately 24 binders of documents to the RCMP in response to the October 5, 2004 Production Order.

The Second Kroll Investigation Reveals that Royal Group Had Insufficient Internal Controls

96. On November 8, 2004, the Company announced that the Special Committee retained independent legal counsel and forensic accountants (Kroll) to investigate the wrongdoing at the Company further. Kroll reported the results of its investigation in a report on or about March 17, 2005 (the "Second Kroll Report"). The Second Kroll Report detailed many of the related-party transactions engaged in by Defendants and the inadequate internal controls that were in place at the Company at the time of these transactions.

97. With respect to the overall culture of Royal Group, Kroll commented that Royal Group was an entrepreneurial private company when it went public in November 1994, and that the assets and the businesses owned and operated by the senior officers, including the Individual Defendants, included the plastics company and other land and investments. Only some of these were rolled into the Company as part of the initial public offering. While operating the public company, the senior officers, including the Individual Defendants, maintained other assets and investments outside of the public company, referred by Kroll as the "private" side. Kroll mentioned that Defendants De Zen, Dunsmuir, Goegan and other Royal Group employees worked at various points in time on both the private and public business.

98. Kroll identified 13 related-party transactions in the Second Kroll Report. The Second Kroll Report states that there was no independent oversight or scrutiny of the related-party transactions between the Company and the assets privately owned by the Individual Defendants and others. According to Kroll, none of the 13 transactions were the subject of any independent appraisals, and 11 were not disclosed in Royal Group's financial statements as related-party transactions.

99. Kroll was consistently told that no one in management saw any problem with the structure, and that they took their instructions from Vic De Zen as to what they should work on. Kroll identified many instances of related-party dealings in real estate, corporate acquisitions and other transactions. Many of these related-party transactions that Kroll identified were initiated, negotiated and approved by Vic De Zen and other members of senior management who were acting on both sides of the transaction. Further, Royal Group did not have any procedures in place for independent review or authorization of the details of any transactions done between Royal Group and any related party.

The Company Fires De Zen, Dunsmuir, and Goegan

100. On November 29, 2004, the Company issued a press release titled "Royal Group Technologies Appoints James Sardo as Interim President and CEO, and Robert Lamoureaux as Interim CFO." The press release, which announced that most of the Individual Defendants were fired or dismissed, stated in part:

> Royal Group Technologies Limited (Royal Group or the company) today announced that the Special Committee of independent directors, acting on the authority previously provided by the Board of Directors, has terminated for cause Douglas Dunsmuir, the company's President and Chief Executive Officer, and Ron Goegan, its Senior Vice-President and Chief Financial Officer.
>
> The Special Committee also dismissed Vic De Zen as Chairman of the Board. The Special Committee determined that Mr. De Zen, who resigned on December 18, 2003 as the company's co-Chief Executive Officer, Mr. Dunsmuir, and Mr. Goegan are not entitled to receive termination severance. The Special Committee has requested that all three resign as directors of the company.

101. The Company also announced that it terminated Dominic D'Amico (a co-founder of Royal Group) and Fortunato Bordin for cause as a result of their participation in the related-party land purchase transaction as investors in the named company. Royal Group disclosed on a November 29, 2004 conference call with analysts that the decision to fire De Zen, Dunsmuir and Goegan was linked to newly found documents turned up by forensic accountants "concerning the executives' roles in a related-party land transaction in 1998." On that conference call, James Sardo stated, "At the very least, in the unanimous opinion of the special committee, the roles played by Mr. Dunsmuir, Mr. Goegan, and Mr. De Zen in these matters showed a breach of their responsibilities to the company causing us to terminate their positions."

102. Defendant De Zen formally resigned as Chairman of the Board in December 2004 and resigned from the Board during June 2005, following the conversion of his Multiple Voting Shares in connection with his settlement with the Company concerning the wrongdoing alleged herein. Defendant Goegan resigned in March 2005.

103. In the fall of 2004, the Company adopted a requirement that all individual related-party transactions of $100,000 or more be approved by the Audit Committee before they are undertaken. As such, the Company acknowledged that it did not have the proper controls in place to ensure that the Board was properly monitoring related-party transactions.

The Special Committee Settles with De Zen

104. On March 24, 2005, it was announced that the Special Committee recommended an overall settlement with Defendant De Zen whereby: (i) De Zen would personally repay $6.5 million, plus interest of $2.2 million, as a result of the gains he earned through the sale of the Vaughan West Lands to the Company, paid in stock; (ii) De Zen would repay the $1.13 million in bonuses he received in 2002; (iii) De Zen would sign a non-compete covenant extending to December 18, 2006; (iv) De Zen would release all known claims against the Company; (v) the Company will release all known claims against De Zen; and (vi) De Zen would resign from the Board.

105. In lieu of the settlement announced on March 24, 2005, De Zen converted each of his Multiple Voting Shares to Subordinate Voting Shares and resigned from the Company's Board during June 2005.

The SEC Investigates Defendants' Wrongdoing

106. The SEC is also formally investigating the wrongdoing alleged herein, including the Company's past accounting practices and disclosures.

107. In November 2004, the Special Committee notified the SEC regarding the investigation into the related-party transactions. On June 24, 2005, the SEC staff notified the Company's Special Committee that the SEC staff is conducting a formal investigation related to the Company's past accounting practices and disclosures, and that a subpoena would be forthcoming. On July 8, 2005, the Company's Special Committee received written notification that the SEC had issued a Formal Order of Investigation styled, *In the Matter of Royal Group Technologies*

(HO-09896). On July 27, 2005, the SEC served the Company with a subpoena as part of an accounting probe of the Company requiring the production of documents, including documents relating to related-party transactions (the "July Subpoena"). The Special Committee has produced to the SEC staff documents responsive to the July Subpoena.

The OSC, RCMP, SEC and Continue Their Investigations Into Defendants' Wrongdoing

108. Although the Company settled with De Zen, the RCMP's criminal investigation of Royal Group and the Individual Defendants is continuing and the RCMP has obtained, and will continue obtaining, additional documents in its investigation. Furthermore, the OSC and SEC are continuing their investigations into Defendants' wrongful conduct.

109. On January 28, 2005, the RCMP obtained a search warrant in order to obtain additional documents from the Bank of Nova Scotia concerning the criminal investigation into the financial activities of Royal Group and the Individual Defendants. On February 1, 2005, RCMP investigators raided the headquarters of the Bank of Nova Scotia with a team of 25 people for a multi-day search. An April 5, 2005 article on GlobeandMail.com, titled "Show's over at Scotiabank but Mounties have souvenirs," described the raid as follows:

> After launching a high-profile raid Feb. 1 – a dozen cars and a van parked at the main entrance – the forensic squad spent a full two months rummaging through the bank's files, in connection with its probe of Royal Group Technologies. Eight Mounties made themselves cozy in Scotialand until March 31, when the official search warrant expired and, as mementos of their visit, took about 100,000 documents when they left.

110. Additionally, in October 2005, the Company's Special Committee advised the OSC, RCMP and SEC of emails and documents authored by a former financial employee of the Company that relate to certain financial accounting and disclosure matters. The SEC staff made a referral to the U.S. Department of Justice, Criminal Division, in connection with those documents. Also in October 2005, the Company's Audit Committee assumed responsibility for the Special Committee's mandate

and the Special Committee was dissolved. Independent forensic accountants were retained to investigate issues raised by these documents (the "Investigation"). The Investigation focuses on the period from 2000 to 2003.

111. The Investigation has included a review of certain of the Company's historical accounting records, available supporting documentation at the Company's head office and email communications of various individuals during the period under review, as well as interviews with numerous current and former employees.

112. The Investigation identified certain monthly and quarterly accounting and reporting issues of concern for the period under review, such as support for monthly sales growth announcements for certain months in 2001, whether month end closes were extended for a few days for certain months in 2000 and 2001, and certain quarterly journal entries for the period under review. Based on the Investigation, the Audit Committee determined that these issues should be investigated further.

113. The Investigation also identified entries of concern relating to the year-end financial statements for the fiscal years 2000 to 2003.

114. On March 14, 2006, in a press release titled "Royal Group to Delay Reporting of 2005 Financial Results," Royal Group announced that it would not report its audited 2005 financial results on March 29, 2006, as it had previously expected, due in part to the SEC's investigation of the Company and possible accounting irregularities. The March 14, 2006 press release stated in relevant part:

> Royal Group advised that it expects that the reporting of its 2005 financial results, the filing of its 2005 Annual Report to Shareholders, the filing of its 2005 Annual Information Form and the filing of its 2005 Form 40-F will be delayed for up to 60 days.
>
> The reporting delay is caused by the combined impact of a number of issues including, the complexity of accounting for the numerous divestitures completed and

> being pursued, write-downs related thereto, the decision to amend the segmentation of Royal Group's financial results to better represent operations going forward, discussions with the U.S. Securities and Exchange Commission ("SEC") related to segmented financial reporting and regulatory investigations.
>
> Royal Group noted that it is currently in discussions with the SEC regarding SEC comments with respect to Royal Group's 40F for the year ended December 31, 2004, and its 2005 quarterly filings. The SEC's comments relate primarily to Royal Group's audited historical financial statements, including segmented financial presentation and evaluating the carrying value of goodwill. It is possible that these ongoing discussions may result in changes to the presentation of historical financial information of Royal Group. Royal Group is working with its auditors to determine if it will be in a position to issue its 2005 audited financial statements within the anticipated time period or if there may be a further delay pending resolution of this issue with the SEC.

115. Royal Group ultimately filed its Form 40F on or about May 31, 2006, and did not restate its financial statements for the fiscal years ended 2000 to 2003. However, the internal Company Investigation as well as the various regulatory investigations into the Company and Defendants continue. Indeed, in the Company's Form 40-F filed on or about May 31, 2006, acknowledged that the Investigation and the ongoing investigations by the OSC, RCMP and SEC "could produce results that have a material impact on the Company and could result in further information being discovered that could require adjustments to the financial statements."

Greg Sorbara, a Former Royal Group Board Member and Chairman of the Audit Committee, Admits that Defendants Treated Royal Group as Their Personal Fiefdom

116. Greg Sorbara ("Sorbara") was a member of Royal Group's Board of Directors and the Chairman of the Board's Audit Committee from November 1994 to October 2003, when he resigned to become Finance Minister of the Province of Ontario.

117. Sorbara was named in an RCMP search warrant in connection with the wrongdoing at Royal Group alleged herein. An article in the Toronto Star titled "Sorbara 'Concerned from Day 1,'" dated October 15, 2005, reported that Sorbara acknowledged that De Zen and other

Company executives engaged in self-dealing transactions with little or no oversight from the Company's Board and treated the Company as their personal piggy-bank. As reported in the article:

> Sorbara, who resigned this week as finance minister after being named in an RCMP search warrant, told the Toronto Star that as chair of Royal Group's board of director's audit committee he had little say in transactions under the amount of $60 million.
>
> * * *
>
> "As it turned out, that gave the executive of Royal Group a free hand to do whatever the hell they wanted," he said of the spending threshold.
>
> "Those of us who were independent directors were in the minority and we had very little authority. We had no capacity to reverse the decisions of management. It concerned me from Day 1.
>
> * * *
>
> In his first in-depth interview since resigning as finance minister, Sorbara said it troubled him that Royal founder Vic De Zen controlled about 80 per cent of the shares even though it was a publicly traded company.
>
> * * *
>
> "For the first two or three years the company was incredibly profitable . . . but even at that time I felt like all of us on the board were not exercising enough oversight over the actual management and direction of the company," he said.
>
> The *Star* has learned that RCMP investigators became interested in the case when they realized Sorbara never divulged to the Royal Group board of directors, the board's audit committee or the company's auditors that a Sorbara Group spinoff company sold land to Royal.
>
> Two properties in Brampton were sold for $2.5 million in 1996 and 1997. By not disclosing the deal, shareholders were not told that a company insider was benefiting from a company decision.
>
> That's fraud, says the RCMP.
>
> * * *
>
> Sorbara said De Zen's major problem was that even though Royal Group became publicly traded he wanted to continue to run it as a sole proprietorship.
>
> "My energy on the board was to try and force management to try and realize that, as a public company, the responsibilities were dramatically different and that there were

> shareholders all over the world that had to be accounted to. That was every board meeting and they were . . . like four a year. Every board meeting we would push a little, but really unsuccessfully."
>
> * * *
>
> "I started to apply pressure at the board, including urging that Vic De Zen either step down as the chair or step down as the president but not hold both positions. I urged him to give up his multiple voting shares. That would have been in probably 2002," he said.

118. Sorbara admitted that at least as early as 2000, KPMG LLP, the Company's accounting firm, raised red flags to the Audit Committee and the Board concerning the Company's financial reporting.

MATERIALLY FALSE AND MISLEADING STATEMENTS ISSUED DURING THE CLASS PERIOD

119. On February 24, 2000, Royal Group filed a Form 6-K with the SEC, including its Annual Report for the fiscal year ended September 30, 1999 (the "1999 6-K"). The 1999 6-K contained the Company's financial statements and (as discussed more fully below) Canadian GAAP, U.S. GAAP, and SEC rules and regulations created a duty to disclose related-party transactions. The 1999 6-K highlighted the abilities, leadership, and integrity of the Company's senior executives. The 1999 6-K, under the "Directors and Officers" heading on page 42, stated in pertinent part as follows:

> Royal has been able to develop a strong management team by attracting people with a broad range of skills, training and experience. . . .
>
> The following are brief biographies of the senior executive management team:
>
> **Vic De Zen**, acts as Chairman of the Board, President and Chief Executive Officer. He has driven Royal since its inception in 1970. Royal has grown to become North America's largest extruder of PVC building products through the vision and leadership of Mr. De Zen. Originally a tool and die maker by trade, Mr. De Zen is a recognized leader in his field. . . . He sets the strategic direction of the company with his senior managers and is involved in all major matters affecting Royal.

* * *

> **Gary Brown**, has served as Executive Vice President and Chief Financial Officer since joining Royal in 1985. . . . His primary responsibilities include the negotiation and ongoing financing of most major transactions in Royal, as well as the direction of the accounting, tax and information systems administered by his staff.
>
> **Douglas Dunsmuir**, serves as Executive Vice President and General Counsel. . . . His primary responsibilities include the negotiation and related legal work of most major transactions of Royal, including joint venture and other contract preparation, intellectual property issues, litigation support and corporate compliance.

120. The statements referenced above in ¶119 were each materially false and misleading because while Defendants highlighted the abilities, leadership and integrity of the Company's management, including Defendants De Zen, Brown, and Dunsmuir, the Individual Defendants knew, or recklessly disregarded, that they misused their control over the Company to engage in undisclosed related-party and self-dealing transactions in order to reap substantial financial gains including, *inter alia*: (i) realizing a $6.5 million profit on an undisclosed land transaction with the Company; (ii) causing the Company to sell millions of dollars worth of products to an entity under the Individual Defendants' control; (iii) De Zen's use of Company assets, benefits and facilities for his personal use, including Company bank accounts for international fund transfers and his use of the Company to pay invoices in connection with real estate developments for De Zen and his family members; (iv) causing the Company to sell De Zen and his family members assets, parts and services; (v) causing the Company to spend $16.4 million for interests in companies owned by De Zen, Brown and Dunsmuir; and (vi) causing the Company to engage in millions of dollars in related-party real estate transactions. In addition, Defendants omitted to disclose that the Company did not have adequate controls in place to ensure that related-party transactions were disclosed to the Company's shareholders.

121. On February 9, 2001, Royal Group filed a Form 6-K with the SEC, including its Annual Report for the fiscal year ended September 30, 2000 (the "2000 6-K"). The 2000 6-K

contained the Company's financial statements and (as discussed more fully below) Canadian GAAP, U.S. GAAP, and SEC rules and regulations created a duty to disclose related-party transactions.

122. The 2000 6-K highlighted the abilities, leadership, and integrity of the Company's senior executives. The 2000 6-K, under the "Directors and Officers" heading on page 43, stated in part:

> Royal has been able to develop a strong management team by attracting people with a broad range of skills, training and experience. . . .
>
> The following are brief biographies of the senior executive management team:
>
> **Vic De Zen**, acts as Chairman of the Board, President and Chief Executive Officer. He has driven Royal since its inception in 1970. Royal has grown to become North America's largest extruder of PVC building products through the vision and leadership of Mr. De Zen. Originally a tool and die maker by trade, Mr. De Zen is a recognized leader in his field. . . . He sets the strategic direction of the company with his senior managers and is involved in all major matters affecting Royal.
>
> * * *
>
> **Gary Brown**, has served as Executive Vice President and Chief Financial Officer since joining Royal in 1985. . . . His primary responsibilities include the negotiation and ongoing financing of most major transactions in Royal, as well as the direction of the accounting, tax and information systems administered by his staff.
>
> **Douglas Dunsmuir**, serves as Executive Vice President and General Counsel. . . . His primary responsibilities include the negotiation and related legal work of most major transactions of Royal, including joint venture and other contract preparation, intellectual property issues, litigation support and corporate compliance.

123. The statements referenced in ¶122 were each materially false and misleading for the same reasons as stated in ¶120 above.

124. On January 15, 2002, Royal Group filed a Form 6-K with the SEC, including its Annual Report for the fiscal year ended September 30, 2001 (the "2001 6-K"). The 2001 6-K contained the Company's financial statements and (as discussed more fully below) Canadian GAAP, U.S. GAAP, and SEC rules and regulations created a duty to disclose related-party transactions.

125. The 2001 6-K attached the Company's Proxy Statement for the Annual Meeting of Shareholders dated February 20, 2002 ("2002 Proxy Statement") which contained false and misleading statements and omitted to disclose material information.

126. The 2002 Proxy Statement, under the heading "Corporate Governance Practices" on page 9 stated in part:

> Royal Group's current corporate governance practices are based on the principles of fairness, accountability, transparency and responsible corporate behavior and reflect fairly the interests of public shareholders, the substantial management and employee investment in Royal Group and Royal Group's historic and current entrepreneurial and growth-oriented nature. Royal Group's corporate governance practices are described below with reference to the corporate governance guidelines of The Toronto Stock Exchange which were published to help corporations assess their corporate governance practices (collectively, the "Guidelines").

127. The 2002 Proxy Statement, under the heading "Mandate of the Board" on page 9, stated in part: "The Board of Directors' mandate is to supervise the management of the business and affairs of Royal Group and to act with a view to the best interests of Royal Group."

128. The 2002 Proxy Statement, under the heading "Board Composition" on page 10, stated in part:

> The Board considers that the five "inside" Directors are able to, and do act, with a view to the best interests of Royal Group, with their compensation as officers of Royal Group being tied to a consistent measurement of corporate performance, and are sensitive to avoidance and disclosure of conflicts of interest. The Board believes that the presence of its senior executives on the Board is a key factor in Royal Group's success.

129. The 2002 Proxy Statement, under the heading "Interest Of Insiders In Material Transactions" on page 12 stated in part:

> During the year ended September 30, 2001, no Director, senior officer, principal shareholder or other insider of Royal Group, nor any associate or affiliate thereof, has or has had any material interest, direct or indirect, in any transaction or in any proposed transaction which has materially affected or would materially affect Royal Group, its affiliates or any of their collective subsidiaries.

130. The statements referenced above in ¶¶125-129 were each materially false and misleading because the Individual Defendants misused their control over the Company to engage in undisclosed related-party and self-dealing transactions in order to reap substantial financial gains including, *inter alia*: (i) realizing a $6.5 million profit on an undisclosed land transaction with the Company; (ii) causing the Company to sell millions of dollars worth of products to an entity under the Individual Defendants' control; (iii) De Zen's use of Company assets, benefits and facilities for his personal use, including Company bank accounts for international fund transfers and his use of the Company to pay invoices in connection with real estate developments for De Zen and his family members; (iv) causing the Company to sell De Zen and his family members assets, parts and services; (v) causing the Company to spend $16.4 million for interests in companies owned by De Zen, Brown and Dunsmuir; and (vi) causing the Company to engage in millions of dollars in related-party real estate transactions. In addition, Defendants omitted to disclose that the Company did not have adequate controls in place to ensure that related-party transactions were disclosed to the Company's shareholders.

131. The statements made in ¶129 were also each materially false and misleading because during 2001: (i) Defendant De Zen, and the Individual Defendants, caused the Company to engage in secretive and undisclosed transactions with at least the Resort valued at $7.5 million; (ii) Defendant De Zen used the Company and Company assets for personal and non-business related purposes, in order to benefit himself and his family members; (iii) the Company sold to Defendant De Zen's family members parts and services; and (iv) the Company entered into at least one joint land service agreement with companies related to Defendant De Zen and a director of the Company.

132. On March 7, 2002, the Company issued a press release entitled "Royal Group Appoints Douglas Dunsmuir President." The press release stated in part:

> Royal Group Technologies Limited (RYG: TSE, NYSE) announced today that Douglas Dunsmuir has been appointed as President. Mr. Dunsmuir will continue to report to Vic De Zen, Chairman and C.E.O. Mr. De Zen previously filled the President's role.
>
> * * *
>
> Vic De Zen commented on the appointment of Mr. Dunsmuir to the position of President saying, "Royal currently has many opportunities for profitable growth, which will be seized more rapidly with Doug filling the day to day management role. He added that Royal could not have a better person for the job," noting that "Doug knows the company well, is hard-working and well respected by the entire Royal team."
>
> * * *
>
> Mr. Dunsmuir commented on his new position saying, "Royal has a strong group of operational managers, who will now have an additional executive to help them fully realize the potential before their businesses."

133. The statements made in ¶132 were each false and misleading because while touting Defendant Dunsmuir's qualifications, Defendants omitted to disclose that Dunsmuir engaged in undisclosed related-party transactions with Defendant De Zen and others in order to benefit himself with no regard for the interests of the Company or its shareholders.

134. The statements made in ¶132 were each materially false and misleading because the Individual Defendants misused their control over the Company to engage in undisclosed related-party and self-dealing transactions in order to reap substantial financial gains including, *inter alia*: (i) realizing a $6.5 million profit on an undisclosed land transaction with the Company; (ii) causing the Company to sell millions of dollars worth of products to an entity under the Individual Defendants' control; (iii) De Zen's use of Company assets, benefits and facilities for his personal use, including Company bank accounts for international fund transfers and his use of the Company to pay invoices in connection with real estate developments for De Zen and his family members; (iv) causing the Company to sell De Zen and his family members assets, parts and services; (v) causing the Company to spend $16.4 million for interests in companies owned by De Zen, Brown

and Dunsmuir; (vi) causing the Company to engage in millions of dollars in related-party real estate transactions; and (vii) misappropriating a $1.7 million Company benefit in connection with the Company's ownership of 200,000 warrants of Masonite. In addition, Defendants omitted to disclose that the Company did not have adequate controls in place to ensure that related-party transactions were disclosed to the Company's shareholders.

135. On January 10, 2003, Royal Group filed a Form 6-K with the SEC, including its Annual Report for the fiscal year ended September 30, 2002 (the "2002 6-K"). The 2002 6-K contained the Company's financial statements and (as discussed more fully below) Canadian GAAP, U.S. GAAP, and SEC rules and regulations created a duty to disclose related-party transactions.

136. The 2002 6-K, under the "Related Party Transactions" heading on page 37, stated: "During the year, the Company disposed of a corporate airplane and certain non-strategic land parcels to shareholders for aggregate net cash proceeds of $22,800, which was fair market value."

137. The 2002 6-K, under the "Our System of Corporate Governance" heading on page 42, stated: "Ensuring sound business practices is a critical element of our accountability to our stakeholders. Royal Group continues to implement a series of checks and balances to further ensure good corporate governance."

138. The 2002 6-K also attached the Company's Proxy Statement for the Annual Meeting of Shareholders dated February 20, 2003 ("2003 Proxy Statement"), which also contained false and misleading statements and omitted to disclose material information. The 2003 Proxy Statement, under the "Statement of Corporate Governance Practices" heading on page 15, stated in part:

> Royal Group's corporate governance practices are based on the principles of fairness, accountability, transparency and responsible corporate behaviour and are intended to reflect fairly the interests of public shareholders, the substantial management and employee investment in Royal Group and Royal Group's historic and current entrepreneurial and growth-oriented nature.

* * *

1. Mandate of the Board

> The Board of Directors' mandate, which mandate meets the requirements of the Guidelines, is to supervise the management of the business and affairs of Royal Group and to act with a view to the best interests of Royal Group. The Board fulfills its mandate directly and through its Audit Committee.

139. The 2003 Proxy Statement, under the "Board Composition" heading on page 16, stated in part:

> Although having a majority of related Directors is not in accordance with the Guidelines, the Board considers that the "related" Directors are able to, and do act, with a view to the best interests of Royal Group, with their compensation as officers of Royal Group being in part tied to corporate performance, and each such Director is sensitive to the avoidance and disclosure of conflicts of interest.

140. The 2003 Proxy Statement, under the "Interest of Insiders in Material Transactions" heading on page 20, stated in part:

> During the year ended September 30, 2002, Royal Group disposed of a corporate airplane and certain non-strategic land parcels for aggregate net cash proceeds of $22,800,000, which was fair market value, to corporations affiliated with Vic De Zen (business address: 1 Royal Gate Boulevard, Vaughan, Ontario) and Domenic D'Amico (business address: 1 Royal Gate Boulevard, Vaughan, Ontario), each of whom is an insider, principal shareholder and employee of Royal Group.
>
> Except for such transactions, no Director, senior officer, principal shareholder or other insider of Royal Group, nor any associate or affiliate thereof, has or has had any material interest, direct or indirect, in any transaction or in any proposed transaction which has materially affected or would materially affect Royal Group, its affiliates or any of their collective subsidiaries.

141. On February 12, 2003, the Company issued a press release entitled "Royal Group Announces Formation Of Two Board Committees." The press release stated in part:

> Royal Group Technologies Limited (NYSE:RYG) (TSX:RYG) announced today that the Board of Directors has established a Compensation Committee, as well as a Nomination and Corporate Governance Committee. Both committees are comprised of a majority of Independent Directors and are expected to commence their respective duties as soon as practicable. Vic De Zen commented on the committees saying, "**the entire Board of Directors is committed to continuous enhancement of corporate governance**." [Emphasis added.]

142. The statements referenced above in ¶141 were each materially false and misleading because the entire Board was not "committed to continuous enhancement of corporate governance." Rather, the Company did not have adequate controls in place to ensure that related-party transactions were disclosed to the Company's shareholders.

143. The statements referenced above in ¶¶136-41 were also each materially false and misleading because the Individual Defendants misused their control over the Company to engage in undisclosed related-party and self-dealing transactions in order to reap substantial financial gains including, *inter alia*: (i) realizing a $6.5 million profit on an undisclosed land transaction with the Company; (ii) causing the Company to sell millions of dollars worth of products to an entity under the Individual Defendants' control; (iii) De Zen's use of Company assets, benefits and facilities for his personal use, including Company bank accounts for international fund transfers and his use of the Company to pay invoices in connection with real estate developments for De Zen and his family members; (iv) causing the Company to sell De Zen and his family members assets, parts and services; (v) causing the Company to spend $16.4 million for interests in companies owned by De Zen, Brown and Dunsmuir; and (vi) causing the Company to engage in millions of dollars in related-party real estate transactions. In addition, Defendants omitted to disclose that the Company did not have adequate controls in place to ensure that related-party transactions were disclosed to the Company's shareholders.

144. The statements made in ¶140 were also each materially false and misleading because during 2002: (i) Company employees devised a scheme to misappropriate a $1.7 million Company benefit in connection with the Company's ownership of 200,000 warrants of Masonite; (ii) Vic De Zen, and the Individual Defendants, caused the Company to engage in secretive and undisclosed transactions with at least the Resort valued at $11.5 million; (iii) Defendant De Zen used the

Company and Company assets for personal and non-business related purposes, in order to benefit himself and his family members; (iv) the Company sold assets for $300,000 to at least one company related to Defendant De Zen; and (v) the Company sold to Defendant De Zen's family members parts and services.

145. On February 5, 2004, the Company filed a Form 6-K with the SEC, including its Annual Report for the fiscal year ended September 30, 2003 (the "2003 6-K"). The 2003 6-K under the "Related Party Transactions" heading on page 38 stated: "During 2003, the Company sold products to companies related to shareholders totaling $1,650 (2002 – $22,800), which was at fair market value."

146. The statement made in ¶145 was materially false and misleading because the 2003 6-K omitted to disclose that in 2003: (i) the Company sold real estate for $350,000 to Defendant De Zen's family members, certain employees and a former employee; (ii) Defendant De Zen caused the Company to facilitate foreign currency exchange transactions at exchange rates available to the Company, and utilized Company bank accounts to transfer funds internationally on behalf of Vic De Zen, a significant shareholder, and certain Company executives; and (iii) the Company sold real estate for $350,000 to Defendant De Zen's family members, certain employees and a former employee.

147. The 2003 6-K, under the "Enhancing Corporate Governance" heading on page 43, stated: "Since reporting to you last year, we have worked diligently to enhance Royal Group's corporate governance. . . . In addition to the enhancements to the Board, we adopted a formal Code of Ethics applying to principal executive officers and senior financial officers."

148. The 2003 6-K also attached the Company's Proxy Statement for the Annual and Special Meeting of Shareholders dated February 25, 2004 ("2004 Proxy Statement"), which also

contained false and misleading statements and omitted to disclose material information. The 2004 Proxy Statement under the "Statement of Corporate Governance Practices" heading on page 24 stated in part:

> The Corporation's Board of Directors and management support the Guidelines for Corporate Governance (the "Guidelines") adopted by the Toronto Stock Exchange ("TSX") in 1995. Royal Group's current corporate governance practices are in accordance with 10 of the 14 Guidelines and Royal Group intends to increase the number of its practices that are fully in accordance with the Guidelines by the end of 2004.

149. The 2004 Proxy Statement, under the "Interest of Insiders in Material Transactions" heading on page 25, stated:

> No Director, senior officer, principal shareholder or other insider of Royal Group, nor any associate or affiliate thereof, has or has had any material interest, direct or indirect, in any transaction or in any proposed transaction which has materially affected or would materially affect Royal Group, its affiliates or any of their collective subsidiaries.

150. Appendix E to the 2004 Proxy Statement, under the "Corporate Governance Report," stated in part:

> Below Royal Group's governance procedures are compared with the TSX corporate governance disclosure guidelines.
>
> * * *
>
> The Board of Directors' mandate is to supervise the management of the business and affairs of Royal Group and to act with a view to the best interests of Royal Group. The Board fulfils its mandate directly and through its Committees. The Board seeks to ensure that Royal Group is managed so as to enhance shareholder value and to ensure its long-term viability.
>
> * * *
>
> Royal Group has adopted a Disclosure Policy which reflects its commitment to provide timely and accurate corporate information to investors, shareholders and the general public.
>
> * * *
>
> The Audit Committee is responsible for the oversight of the reliability and integrity of accounting principles and practices, financial statements and other financial

> reporting, and disclosure practices followed by management. The Audit Committee has oversight responsibility for the establishment by management of an adequate system of internal controls and the maintenance of practices and processes to assure compliance with applicable laws.

151. On February 25, 2004, the Company issued a press release entitled "Royal Group Technologies Limited." The press release stated in part:

> Royal Group Technologies Limited ("Royal Group" or the "Company") (RYG: TSX, NYSE) announced today that the Enforcement Branch of the Ontario Securities Commission ("OSC") informed the Company yesterday afternoon after the close of the markets that, based on the OSC's investigation relating to the Company, including information recently obtained by the OSC, public disclosure should be made of the existence of the investigation. The Company understands that the investigation principally concerns transactions between the Company and a St. Kitts resort development which was a purchaser of the Company's products and services. The St. Kitts resort, which is controlled by Mr. Vic De Zen, the controlling shareholder of the Company, purchased goods and services from the Company over the past five years which the Company advises have a value of approximately $32 million. The OSC also informed the Company this morning that the RCMP, along with the Canada Customs Revenue Agency, is conducting its own investigation.

152. The statements made in ¶¶147-51 were each materially false and misleading because Defendants omitted to disclose that the Individual Defendants misused their control over the Company to engage in undisclosed related-party and self-dealing transactions in order to reap substantial financial gains including, *inter alia*: (i) realizing a $6.5 million profit on an undisclosed land transaction with the Company; (ii) causing the Company to sell millions of dollars worth of products to an entity under the Individual Defendants' control; (iii) De Zen's use of Company assets, benefits and facilities for his personal use, including Company bank accounts for international fund transfers and his use of the Company to pay invoices in connection with real estate developments for De Zen and his family members; (iv) causing the Company to sell De Zen and his family members assets, parts and services; (v) causing the Company to spend $16.4 million for interests in companies owned by De Zen, Brown and Dunsmuir; (vi) causing the Company to engage in millions of dollars in related-party real estate transactions; and (vii) misappropriating a $1.7 million Company benefit in

connection with the Company's ownership of 200,000 warrants of Masonite. In addition, Defendants omitted to disclose that the Company did not have adequate controls in place to ensure that related-party transactions were disclosed to the Company's shareholders.

153. On March 16, 2004, Defendant De Zen issued a press release entitled "Personal Statement from Mr. Vic De Zen." The press release stated in part:

> Media coverage surrounding Royal Group Technologies Limited and The Royal St. Kitts Beach Resort has prompted me to issue this statement.
>
> I am the founder, current Chairman and major shareholder of Royal Group, and one of several owners in the Resort. I am proud of Royal Group and the Resort and have always conducted my business affairs in a straightforward manner and with the highest standards consistent with the best interests of both organizations.
>
> When I learned of the OSC's inquiry at the end of last year, I fully endorsed the decision of Royal Group's Board to set up a Special Committee of independent board members to look into the general matters raised by the OSC, as well as the Special Committee's decision to retain independent counsel and the forensic accounting firm of Kroll Lindquist Avey to review the books and records of both Royal Group and the Resort.
>
> * * *
>
> The Resort and my interest in it are well known. All business transactions between Royal Group and the Resort have been done on appropriate commercial terms and are fully recorded in the books of Royal Group and the Resort.

154. The statements made by Defendant De Zen in ¶153 were each materially false and misleading because De Zen has not conducted his "business affairs in a straightforward manner and with the highest standards consistent with the best interests of both organizations." To the contrary, he has engaged in numerous undisclosed related-party transactions with the Company for his benefit and the benefit of his family. Also, contrary to Defendant De Zen's assertion that he acted promptly to ensure the truth is discovered, Defendants acted to hide the existence of the investigation from the Company's shareholders.

155. Additionally, the statements made by Defendant De Zen in ¶153 were each materially false and misleading because Defendant De Zen omitted to state that the Individual Defendants misused their control over the Company to engage in undisclosed related-party and self-dealing transactions in order to reap substantial financial gains including, *inter alia*: (i) realizing a $6.5 million profit on an undisclosed land transaction with the Company; (ii) causing the Company to sell millions of dollars worth of products to an entity under the Individual Defendants' control; (iii) De Zen's use of Company assets, benefits and facilities for his personal use, including Company bank accounts for international fund transfers and his use of the Company to pay invoices in connection with real estate developments for De Zen and his family members; (iv) causing the Company to sell De Zen and his family members assets, parts and services; (v) causing the Company to spend $16.4 million for interests in companies owned by De Zen, Brown and Dunsmuir; (vi) causing the Company to engage in millions of dollars in related-party real estate transactions; and (vii) misappropriating a $1.7 million Company benefit in connection with the Company's ownership of 200,000 warrants of Masonite. In addition, Defendant De Zen omitted to disclose that the Company did not have adequate controls in place to ensure that related-party transactions were disclosed to the Company's shareholders.

156. On April 29, 2004, the Company issued a press release entitled "Royal Group: Forensic Auditors and Special Committee Complete Investigation And Recommend No Further Investigative Actions To Be Taken At This Time." The press release stated in part:

> Royal Group Technologies Limited ("Royal Group" or the "Company") (NYSE:RYG) (TSX:RYG) announced today that the special committee of its board of directors (the "Special Committee") has reported to the board of directors of the Company on the completion of the investigation conducted by Kroll Lindquist Avey ("Kroll"). Kroll are the independent forensic auditors retained by the Special Committee to investigate transactions between the Company and the Royal St. Kitts beach resort development (referred to as the "St. Kitts Project"), which is majority-owned by Vic De Zen, the Company's controlling shareholder and chairman.

* * *

Recommendations of the Special Committee

> The Special Committee and its counsel have examined all the instances identified by Kroll where management of the Company exercised business judgment on transactions with the St. Kitts Project. On balance, the Special Committee has determined that these judgments were reasonable in all of the circumstances and it does not recommend that any action be taken by the Company with respect to them. In reaching its recommendation in this regard, the Special Committee took into account the overall conclusion reached by Kroll that it found no evidence of conduct calculated to shift costs inappropriately to the Company. The Special Committee also noted that the St. Kitts Project generated approximately $33 million in revenue for the Company and its subsidiaries with an overall positive financial contribution to the Company.
>
> Based on all of the available information, including, in particular, the results of the Kroll investigation, the Special Committee has recommended that no further investigative action be taken at this time.

157. The statements made in ¶156 were each materially false and misleading because by recommending that no further investigative action be taken at this time, the Company had implicitly dismissed the allegations of wrongdoing raised by the OSC. However, Defendants knew, or recklessly disregarded, that the Individual Defendants misused their control over the Company to engage in undisclosed related-party and self-dealing transactions in order to reap substantial financial gains including, *inter alia*: (i) realizing a $6.5 million profit on an undisclosed land transaction with the Company; (ii) causing the Company to sell millions of dollars worth of products to an entity under the Individual Defendants' control; (iii) De Zen's use of Company assets, benefits and facilities for his personal use, including Company bank accounts for international fund transfers and his use of the Company to pay invoices in connection with real estate developments for De Zen and his family members; (iv) causing the Company to sell De Zen and his family members assets, parts and services; (v) causing the Company to spend $16.4 million for interests in companies owned by De Zen, Brown and Dunsmuir; (vi) causing the Company to engage in millions of dollars in related-party real estate transactions; and (vii) misappropriating a $1.7 million Company benefit in

connection with the Company's ownership of 200,000 warrants of Masonite. In addition, Defendants omitted to disclose that the Company did not have adequate controls in place to ensure that related-party transactions were disclosed to the Company's shareholders.

158. On October 17, 2004, Defendant De Zen issued a press release entitled "Personal Statement from Vic De Zen, Chairman, Royal Group regarding recent media reports." The press release stated in part:

> I am outraged at the serious allegations in the RCMP's production order and recent media reports that are damaging my hard earned reputation.
>
> **These allegations are completely wrong. I have never defrauded anyone in my life and pride myself on conducting my business affairs honestly**. The business transactions between Royal Group and the Royal St. Kitt's Resort were done on appropriate commercial terms. No improper conduct or activities have taken place.
>
> * * *
>
> It is for these reasons that I am shocked by the most recent turn of events. I have spent a lifetime working to build a successful business and these damaging allegations are causing serious harm to my family, Royal Group, our shareholders, our employees and me, personally. [Emphasis added.]

159. The statements made by Defendant De Zen in ¶158 were each materially false and misleading because Defendant De Zen knew, or recklessly disregarded, that he and entities under his control had defrauded the Company's shareholders and he did not conduct his business affairs honestly because he engaged in numerous undisclosed related-party transactions with the Company.

160. The statements made by Defendant De Zen in ¶158 were also each materially false and misleading because Defendant De Zen knew, or recklessly disregarded, that the Individual Defendants misused their control over the Company to engage in undisclosed related-party and self-dealing transactions in order to reap substantial financial gains including, *inter alia*: (i) realizing a $6.5 million profit on an undisclosed land transaction with the Company; (ii) causing the Company to sell millions of dollars worth of products to an entity under the Individual Defendants' control;

(iii) De Zen's use of Company assets, benefits and facilities for his personal use, including Company bank accounts for international fund transfers and his use of the Company to pay invoices in connection with real estate developments for De Zen and his family members; (iv) causing the Company to sell De Zen and his family members assets, parts and services; (v) causing the Company to spend $16.4 million for interests in companies owned by De Zen, Brown and Dunsmuir; (vi) causing the Company to engage in millions of dollars in related-party real estate transactions; and (vii) misappropriating a $1.7 million Company benefit in connection with the Company's ownership of 200,000 warrants of Masonite. In addition, Defendant De Zen omitted to disclose that the Company did not have adequate controls in place to ensure that related-party transactions were disclosed to the Company's shareholders.

161. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of Royal Group securities, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and misleading.

162. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiffs and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false or misleading statements about Royal Group's management, business, prospects and operations. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of Royal Group and its management, business, prospects and operations, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and misleading statements during the Class Period resulted in Plaintiffs

and other members of the Class purchasing the Company's securities at artificially inflated prices. The revelation of the true facts concerning the Company removed the inflation from Royal Group's stock price, causing real economic loss to investors who had purchased the stock during the Class Period.

163. On February 24, 2004, as a direct result of the Company's disclosures of the OSC's investigation, and the partial revelations of Defendants' self-dealing transactions, shares of the Company's stock fell on unusually high volume from $13.03 per share prior to the announcement to $10.49 after the announcement, representing a decline of approximately 20%. In October 2004, as a result of additional revelations about the substantial self-dealing transactions engaged in by Defendants (as well as the direct involvement of the Company), the price of Royal Group stock dropped precipitously, falling from $8.97 per share on October 13, 2004 (the last trading day prior to the announcement of the RCMP's investigation into the Individual Defendants' self-dealing transactions), to $7.15 per share on October 19, 2004 – a decline of $1.82 per share, or more than 20%.

164. The decline in Royal Group's stock price near and at the end of the Class Period was a direct result of the nature and extent of Defendants' prior misstatements and fraudulent conduct finally being revealed to investors and the market. The timing and magnitude of Royal Group's stock price declines negate any inference that the loss suffered by Plaintiffs and other Class Members was caused by changed market conditions, microeconomic or industry factors or Company-specific facts unrelated to the Defendants' fraudulent conduct. The economic loss, *i.e.*, damages, suffered by Plaintiffs and other members of the Class was a direct result of Defendants' fraudulent scheme to artificially inflate Royal Group's stock price and the subsequent significant

decline in the value of Royal Group's stock when Defendants' prior misrepresentations and other conduct were revealed.

ROYAL GROUP'S FINANCIAL STATEMENTS DURING THE CLASS PERIOD WERE MATERIALLY FALSE AND MISLEADING

165. During the Class Period, Royal Group filed financial statements with the SEC which were represented to have been prepared in conformity with generally accepted accounting principles in Canada ("Canadian GAAP"). The SEC requires that each annual financial statement filed on Form 20-F must be reconciled to U.S. generally accepted accounting principles ("U.S. GAAP"). Royal Group's annual financial statements filed with the SEC on Form 20-F during the Class Period were purportedly reconciled to U.S. GAAP.

166. During the Class Period, Defendants falsely represented that the financial statements Royal Group issued to investors were prepared in accordance with Canadian GAAP and reconciled to U.S. GAAP and the accounting and disclosure rules and regulations of the SEC.[1] By failing to file financial statements with the SEC which conformed to Canadian and U.S. GAAP, Defendants repeatedly disseminated financial statements of Royal Group that were presumptively misleading and/or inaccurate.[2]

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[1] U.S. generally accepted auditing standard ("GAAS") AU §411.02 defines U.S. GAAP as the conventions, rules, and procedures necessary to define accepted accounting practices at a particular time.

[2] Pursuant to Regulation S-X (17 C.F.R. §210.4-01(a)(1)), financial statements filed with the SEC that are not prepared in conformity with GAAP are presumed to be misleading and inaccurate.

Royal Group's Failure to Disclose Related Party Transactions

167. Canadian GAAP, as noted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3840, requires that a reporting entity's financial statements disclose the existence of transactions with related parties.[3]

168. In addition, U.S. GAAP, in FASB's Statement of Financial Accounting Standards ("SFAS") No. 57, provides that an "enterprise's financial statements may not be complete without additional explanations of and information about related party transactions and thus may not be reliable."[4] Accordingly, SFAS No. 57 requires that financial statements identify material related party transactions and disclose: (a) the nature of the relationship(s), (b) a description of the transaction, (c) the dollar amount of transactions for each period for which an income statement is presented, and (d) the amounts due from or to the related parties as of the date of each balance sheet.

169. In addition, U.S. GAAP, as noted in the SEC's SAB Topic 4E, provides:

> in some cases, **the significance of an amount may be independent of the amount involved**. For example, **amounts due to and from officers and directors**, because of their special nature and origin, **ought generally to be set forth separately** [in financial statements] **even though the dollar amounts involved are relatively small**. [Emphases added.]

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[3] Pursuant to Section 3840.03(g) of the CICA Handbook, related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. **Related parties also include management and immediate family members** (*see* ¶3840.04).

[4] SFAS No. 57 defines related parties as affiliates of the enterprise; entities for which investments are accounted for by the equity method by the enterprise; trusts for the benefit of employees; principal owners of the enterprise; its management; members of the immediate families of **principal owners of the enterprise and its management; and other parties with which the enterprise may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests**. Another party also is a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

170. As alleged in detail herein, Royal Group engaged in at least the following material related-party and self-dealing transactions that were not disclosed in its Class Period financial statements beginning with the fiscal year ended September 30, 1998, in violation of both Canadian and U.S. GAAP:[5]

- The **Individual Defendants sold** the Vaughan West **Lands to the Company in 1998 for $27.4 million**;
- Five senior **executives of the Company** used their control over the Company and **individually exercised a stock warrant in 2002 that was owned by Royal Group**;
- The **Company engaged in more than $32 million of undisclosed transactions with a resort and casino owned and controlled by the Individual Defendants**;
- Beginning as early as 1997 and continuing **until at least 2003, Defendant De Zen used the Company and Company assets for personal and non-business related purposes**;
- From **1998 to 2003**, Defendant De Zen caused **the Company to engage in foreign currency exchange transactions on behalf of Defendant De Zen**;
- From **1997 to 2002, the Company managed the construction of four real estate developments for Vic De Zen and his family members and paid $21.1 million in invoices associated with these projects**;
- During **2000 and 2002, the Company sold assets totaling $540,000 to companies related to Defendant De Zen**;
- From **1998 to 2002, the Company sold Defendant De Zen's family members parts and services totaling $290,000**;
- **In 1999, the Company acquired 75% of** Top Gun Electrical Supply Ltd., **a company that Defendant De Zen held a 40% interest in, for $1,870,000**;
- Between 1994 and 2000, **the Individual Defendants caused the Company to engage in over $7.3 million worth of undisclosed related-party real estate transactions**;

[5] Royal Group's Form 20-F for the fiscal year ended September 30, 1999 included the Company's financial statements for the fiscal years ended September 30, 1999 and 1998.

- **In 1998, the Company purchased two parcels of real estate from Defendant De Zen for $2,900,000**;

- Between 1994 and 2000, **the Company to sold Defendant De Zen over $1.3 million in real estate**;

- **In 2003, the Company sold real estate for $350,000 to Defendant De Zen's family members**, certain Royal Group employees and a former Royal Group employee; and

- **From 1999 to 2001, the Company entered into nine joint land service agreements with Companies related to Defendant De Zen and a director** of the Company.

171. As a result of these undisclosed transactions, **Royal Group is now under investigation by the RCMP, the OSC, and the SEC**.

172. As alleged more fully herein, Royal Group's stock price fell when the Company announced the existence of its undisclosed related-party transactions during the Class Period.

False and Misleading Internal and Disclosure Control Statements and Management Certifications

173. Congress enacted the Sarbanes-Oxley Act of 2002 to, among other things, heighten the responsibility of senior managers and directors for the quality of financial reporting and disclosures made by their companies.

174. In addition, the SEC promulgated Item 307 of Regulation S-K, 17 C.F.R. §229.307, which provides that businesses like Royal Group generally disclose:

> a) The conclusions of the registrant's principal executive and principal financial officers, or persons performing similar functions, regarding the effectiveness of the small business issuer's disclosure controls and procedures (as defined in Rule 13a 14(c) or Rule 15d 14(c) of this chapter) based on their evaluation of these controls and procedures as of a date within 90 days of the filing date of the quarterly or annual report that includes the disclosure required by this paragraph; and
>
> b) Disclose whether or not there were significant changes in the registrant's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

175. SEC Rule 13a-15(d) defines "disclosure controls and procedures" to mean controls and procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms.

176. As noted herein, Royal Group engaged in numerous, material related-party and self-dealing transactions **with the Individual Defendants and their family members and/or entities that they controlled** during the Class Period. In violation of the SEC disclosure requirements and Canadian and U.S. GAAP, such transactions, which are now the subject of regulatory and criminal investigations, were not disclosed to investors during the Class Period.

177. Evidencing Defendants' intent to deceive investors, Royal Group's Form 40-F, for the fiscal year ended September 30, 2002, filed with the SEC on or about February 14, 2003, falsely stated:

> **Royal Group's principal executive officer and its principal financial officer**, after evaluating the effectiveness of Royal Group's disclosure controls and procedures (as defined in Exchange Act Rules 13a-14(c) and 15d-14(c)) on February 13, 2003, **have concluded that, as of such date, Royal Group's disclosure controls and procedures were adequate and effective to ensure that material information relating to Royal Group** and its consolidated subsidiaries **would be made known to them by others** within those entities.
>
> **There were no significant changes in Royal Group's internal controls or in other factors that could significantly affect Royal Group's disclosure controls and procedures subsequent to the date of their evaluation, nor were there any significant deficiencies or material weaknesses in Royal Group's internal controls**. As a result, no corrective actions were required or undertaken. **An evaluation was carried out, as of the end of the period covered by this report on Form 10-K, under the supervision of the Chief Executive Officer and the Chief Financial Officer of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on that evaluation, Royal Group's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective**. [Emphases added.]

178. These false and misleading representations, which known to the Individual Defendants to be materially false and misleading due the numerous undisclosed related-party and self-dealing transactions, were then falsely certified by Defendants De Zen and Goegan and included in Royal Group's FY 2002 Form 40-F:

CERTIFICATIONS

I, . . . , certify that:

1. I have reviewed this annual report on Form 40-F of Royal Group Technologies Limited;

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

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

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

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

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

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

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

(a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process,

summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

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

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or any other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses. [Emphasis added.]

179. In addition, Royal Group's Form 40-F for the fiscal year ended September 30, 2003, filed with the SEC on or about February 18, 2004, falsely stated:

DISCLOSURE CONTROLS AND PROCEDURES

A. EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Registrant maintains disclosure controls and procedures and internal control over financial reporting designed to ensure that information required to be disclosed in the Registrant's filings under the Securities Exchange Act of 1934, as amended (the "Exchange Act") **is recorded, processed, summarized and reported within the time period specified in the rules and forms of the SEC. The Registrant's Chief Executive Officer and Chief Financial Officer, after having evaluated the effectiveness of the Registrant's disclosure controls and procedures** (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report **have concluded that**, as of such date, **the Registrant's disclosure controls and procedures were adequate and effective** to ensure that material information relating to the Registrant and its consolidated subsidiaries would be made known to them by others within those entities.

B. CHANGE IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There was no change in the Registrant's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

* * *

CODE OF ETHICS

The Registrant has adopted a Code of Business Conduct and Ethics (included as Exhibit 6 to this report) that applies to all directors, officers and employees of the Registrant. [Emphasis added.]

180. These false and misleading representations, which were known to the Individual Defendants to be materially false and misleading for the reasons alleged herein, were then falsely certified by Defendants Dunsmuir and Goegan and included in Royal Group's 2003 Form 40-F:

CERTIFICATION

REQUIRED BY RULE 13a-14(a) OR RULE 15d-14(a)

I, . . . , certify that:

1. **I have reviewed this annual report** on Form 40-F of Royal Group Technologies Limited;

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

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

4. **The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures** (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

(a) **Designed such disclosure controls and procedures**, or caused such disclosure controls and procedures to be designed under our supervision, **to ensure that material information** relating to the issuer, including its consolidated subsidiaries, **is made known to us by others** within those entities, particularly during the period in which this report is being prepared;

(b) **Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures**, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors

and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting. [Emphasis added.]

181. The above representations and Defendant certifications were each materially false and misleading when made because, as Defendants knew, or recklessly disregarded, Royal Group's financial statements violated Canadian and U.S. GAAP disclosure requirements during the Class Period.

182. In addition to the accounting violations noted above, Royal Group presented Class Period financial statements in a manner that also violated at least the following provisions of U.S. GAAP:

(a) The principle that interim financial statements are to include disclosures sufficient so as to make the financial information presented not misleading (SAB Topic 10(a));

(b) The concept that financial reporting should provide information about how management of an enterprise has discharged its stewardship responsibility to owners (stockholders) for the use of enterprise resources entrusted to it. To the extent that management offers securities of the enterprise to the public, it voluntarily accepts wider responsibilities for accountability to prospective investors and to the public in general (FASB Concepts Statement No. 1, ¶50);

(c) The concept that financial reporting should be reliable in that it represents what it purports to represent. The notion that information should be reliable as well as relevant is central to accounting (FASB Concepts Statement No. 2, ¶¶58-59); and

(d) The concept of completeness, which means that nothing is left out of the information that may be necessary to ensure that it validly represents underlying events and conditions (FASB Concepts Statement No. 2, ¶80).

183. In failing to file financial statements with the SEC which conformed to the requirements of Canadian and U.S. GAAP, Royal Group repeatedly disseminated financial statements that were presumptively misleading and inaccurate.

ADDITIONAL SCIENTER ALLEGATIONS

184. As alleged herein, Defendants acted with scienter in that Defendants knew, or recklessly disregarded, that the public documents and statements issued or disseminated in the name of the Company (or in their own name) were materially false and misleading; knew or recklessly disregarded, that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. Defendants, by virtue of their receipt of information reflecting the true facts regarding Royal Group, their control over, and/or receipt and/or modification of Royal Group's allegedly materially misleading misstatements and/or their associations with the Company and the entities and persons which engaged in the undisclosed related-party transaction with the Company, were active and culpable participants in the fraudulent scheme alleged herein. Defendants knew and/or recklessly disregarded the falsity and misleading nature of the information which they caused to be disseminated to the investing public. The ongoing fraudulent scheme described herein could not have been perpetrated during the Class Period without the knowledge and complicity or, at least, the reckless disregard of the personnel at the highest levels of the Company, including the Individual Defendants.

185. Each Defendant possessed substantial motives for misrepresenting Royal Group's financial status, operations, and prospects throughout the Class Period.

186. One motive was to capitalize on Royal Group's artificially inflated stock price by disposing of Royal Group's shares and receiving tens of millions of dollars. For example, on or about November 15, 2000, when the Company's stock price was artificially inflated by Defendants' scheme and traded at about $20 per share, Defendant De Zen and other Company founders and executives disposed of 3.15 million Subordinate Voting Shares of Royal Group (with a value of approximately $63 million) pursuant to forward purchase agreements entered into in November 1997 with Salomon Brothers, Inc. in the United States. These shares were delivered in the United States to unit holders of a DECS trust. The DECS units consisted of debentures exchangeable into Subordinate Voting Shares. The shares represented approximately 22.6% of Defendant De Zen's total outstanding shares.

187. During April 2002 (when Royal Group's stock price traded around $19 per share and close to a high for the Class Period), Defendant De Zen pocketed approximately $67 million by pledging 3.6 million (or approximately 22.59%) of his Multiple Voting Shares in a private placement debenture transaction with Scotia Capital Inc. Specifically, De Zen announced on April 18, 2002 in a press release entitled "Closing of Previously Announced Private Placement of Debentures Exchangeable for Shares of Royal Group Technologies Limited," that De Zen, through a holding company controlled by De Zen (3901602 Canada Inc.), closed a private placement of exchangeable debentures and pledged 3.6 million Multiple Voting Shares of Royal Group to secure its obligations upon any exercise of the debenture holders' exchange right.

188. Defendants were further motivated to conceal the adverse facts detailed herein in order to raise capital through debt and equity offerings to fund additional related party transactions. For example, on April 13, 2000, the Company received the proceeds from the distribution in Canada of $150 million principal amount medium term notes. On July 25, 2000, Royal Group closed a

treasury issue of 4,500,000 Subordinate Voting Shares of the company to an underwriting group led by Scotia Capital Inc. The purchase price of $35 (Canadian) per Subordinate Voting Share resulted in net proceeds (before expenses of the issue) of approximately $151 million Canadian.

189. Defendants also acted to conceal their fraudulent scheme so that the Company could have access to additional capital through bank credit facilities. For example, as of September 30, 2003, the Company had $65 million in cash and $326 outstanding on a bank credit facility and Defendants desired to convert the balance drawn on the bank credit facility to a term loan payable in April 2005, which the Company effectuated. Had Defendants not acted to conceal their fraudulent conduct, it would have negatively impacted the Company's credit rating and caused a substantial rise in the interest payable on the term loan. An RBC Capital Markets research report on the Company dated November 10, 2004 stated in part:

> In October 2003, Royal converted the balance drawn on its bank credit facility to a term loan payable in April 2005. As at September 30th, Royal had $65M in cash and $326M outstanding on that loan. . . . It appears that this debt can be refinanced, but that the applicable interest rate will increase; however the financial impact of that rate hike is unlikely to be material.

190. In fact, when faced with the initiation of the OSC investigation during late 2003, the Defendants fought to maintain the secrecy of the investigation and to prevent the disclosure of the existence of the investigation to the public since such disclosure would have had a negative impact on the Company's credit rating and make it harder to borrow money. Ultimately, after the extent of the investigation was revealed in October 2004, S&P lowered the Company's credit rating.

APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD-ON-THE-MARKET DOCTRINE

191. Pursuant to their claims under Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, Plaintiffs will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine such that:

(a) Defendants made public misrepresentations or failed to disclose material facts during the Class Period;

(b) the omissions and misrepresentations were material;

(c) the securities of the Company traded in open and efficient markets;

(d) the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and

(e) Plaintiffs and the other members of the Class purchased or otherwise acquired their Royal Group securities between the time Defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

192. At all relevant times, the market for Royal Group's securities was an efficient market for the following reasons, among others:

(a) Royal Group's shares met the requirements for listing, and was listed and actively traded on the NYSE and TSE, both of which are highly efficient and automated markets;

(b) as a regulated issuer, Royal Group filed periodic public reports with the SEC;

(c) Royal Group regularly communicated with public investors via established market communication mechanisms, including through regular dissemination of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

(d) Royal Group was followed by several securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

193. As a result of the foregoing, the market for Royal Group's securities promptly digested current information regarding Royal Group from all publicly available sources and reflected such information in Royal Group's stock price. Under these circumstances, all purchasers of Royal Group's shares during the Class Period suffered similar injury through their purchases of Royal Group's stock at artificially inflated prices, and a presumption of reliance applies.

INAPPLICABILITY OF STATUTORY SAFE HARBOR

194. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. Moreover, the specific statements pleaded herein were not identified as "forward-looking statements" when made. To the extent that any of the statements identified herein as materially false and misleading are held by the Court to be forward-looking statements, there were no meaningful cautionary statements identifying important then-present factors that could, and indeed did, cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, Defendants are liable for those materially false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer or director of Royal Group who knew that those statements were false when made.

COUNT I

Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder (Asserted Against All Defendants)

195. Plaintiffs repeat and reallege each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

196. This Count is asserted against all Defendants for violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

197. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiffs, as alleged herein; (ii) enable the Individual Defendants to reap substantial gains as a result of related-party transactions with the Company and the disposition of Royal Group stock worth tens of millions of dollars; and (iii) cause Plaintiffs and other members of the Class to purchase Royal Group's securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendant Royal Group and the Individual Defendants, and each of them, took the actions set forth herein.

198. Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for Royal Group's shares in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

199. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a

continuous course of conduct to conceal adverse material information about the business, operations and future prospects of Royal Group as specified herein.

200. Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Royal Group's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about Royal Group and its business operations and future prospects in the light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of Royal Group's shares during the Class Period.

201. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors and/or major shareholders at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of the Individual Defendants, by virtue of his responsibilities and activities as a senior officer and/or director of the Company was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of the Individual Defendants enjoyed significant personal contact and familiarity with the other Defendants and was advised of and had access to other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of the Individual Defendants was aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

202. Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such Defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing Royal Group's operating condition, related-party transactions and future business prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by Defendants' misstatements of the Company's business, financial condition, operations, related-party transactions and growth throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

203. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Royal Group's shares were artificially inflated during the Class Period. In ignorance of the fact that market prices of Royal Group's publicly traded securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the securities trade, and/or on the absence of material adverse information that was known to or recklessly disregarded by Defendants but not disclosed in public statements by Defendants during the Class Period, Plaintiffs and the other members of the Class acquired Royal Group securities during the Class Period at artificially high prices and were damaged as a result of the securities law violations alleged herein.

204. At the time of said misrepresentations and omissions, Plaintiffs and the other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiffs and

the other members of the Class and the marketplace known the truth regarding the problems that Royal Group was experiencing, or the nature of the related-party transactions, which were not disclosed by Defendants, Plaintiffs and the other members of the Class would not have purchased or otherwise acquired their Royal Group shares, or, if they had purchased such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

205. By virtue of the foregoing, Defendants violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

206. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs and the other members of the Class suffered damages.

COUNT II

Violations of Section 20(a) of the Exchange Act
(Asserted Against the Individual Defendants)

207. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

208. The Individual Defendants acted as controlling persons of Royal Group within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of the Company's operations and/or intimate knowledge of the false and misleading statements filed by the Company with the SEC and disseminated to the investing public, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiffs contend are false and misleading. The Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiffs to be misleading prior to and/or shortly after these statements were

issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

209. In particular, each of the Individual Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

210. As set forth above, Royal Group and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiffs and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs, individually and on behalf of the Class, pray for relief and judgment, as follows:

(a) Declaring this action is a proper class action and certifying Plaintiffs, among others, as class representatives and their counsel as Class counsel under Rule 23 of the Federal Rules of Civil Procedure;

(b) Declaring and determining that Defendants violated the federal securities laws by reason of their conduct as alleged herein;

(c) Awarding compensatory damages in favor of Plaintiffs and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

(d) Awarding Plaintiffs and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert's fees; and

(e) Granting such other and further relief as the Court may deem just and proper.

JURY DEMAND

Plaintiffs hereby demand a trial by jury.

DATED: July 24, 2006

LERACH COUGHLIN STOIA GELLER
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Counsel for Plaintiffs

CERTIFICATION OF NAMED PLAINTIFF PURSUANT TO FEDERAL SECURITIES LAWS

Lewis R. Messinger ("Plaintiff") declares:

1. Plaintiff has reviewed a complaint and authorized its filing.

2. Plaintiff did not acquire the security that is the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action or any other litigation under the federal securities laws.

3. Plaintiff is willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.

4. Plaintiff has made the following transaction(s) during the Class Period in the securities that are the subject of this action:

Acquisitions:	**Date Acquired**	**Number of Shares Acquired**	**Acquisition Price Per Share**
Common Stock	6/4/99	25	29.625
Common Stock	1/18/00	25	20.00
Common Stock	1/27/00	50	20.00
Common Stock	12/29/00	50	13.1875
Common Stock	2/2/01	18	17.03
Common Stock	10/30/02	50	10.36
Common Stock	4/3/03	75	4.99
Sales:	**Date Sold**	**Number of Shares Sold**	**Selling Price Per Share**
Common Stock	2/5/02	18	20.09

5. During the three years prior to the date of this Certificate, Plaintiff has not sought to serve or served as a representative party for a class in an action filed under the federal securities laws except as detailed below:

During 2005, Plaintiffs sought to intervene as a plaintiff and proposed class representative in In re ROYAL GROUP TECHNOLOGIES SECURITIES

LITIGATION, No. 04 Civ. 9809 (HB), but the Court dismissed the complaint in that action and did not rule on the motion to intervene.

6. The Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 11th day of January, 2006.

Error! No text of specified style in document. MESSINGER

LEWIS R MESSINGER

CERTIFICATION OF NAMED PLAINTIFF
PURSUANT TO FEDERAL SECURITIES LAWS

MARCIA B. SNOW ("Plaintiff") declares:

1. Plaintiff has reviewed a complaint and authorized its filing.

2. Plaintiff did not acquire the security that is the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action or any other litigation under the federal securities laws.

3. Plaintiff is willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.

4. Plaintiff has made the following transaction(s) during the Class Period in the securities that are the subject of this action:

Acquisitions:

Date Acquired	Number of Shares Acquired	Acquisition Price Per Share
08/10/00	400 shares	$23.5625

Sales:

Date Sold	Number of Shares Sold	Selling Price Per Share

5. During the three years prior to the date of this Certificate, Plaintiff has not sought to serve or served as a representative party for a class in an action filed under the federal securities laws except as detailed below:

6. The Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery,

except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 30 day of March, 2006.

Marcia B Snow

MARCIA B. SNOW

CERTIFICATION OF NAMED PLAINTIFF PURSUANT TO FEDERAL SECURITIES LAWS

PHILIP B. ZIPIN ("Plaintiff") declares:

1. Plaintiff has reviewed a complaint and authorized its filing.

2. Plaintiff did not acquire the security that is the subject of this action at the direction of plaintiff's counsel or in order to participate in this private action or any other litigation under the federal securities laws.

3. Plaintiff is willing to serve as a representative party on behalf of the class, including providing testimony at deposition and trial, if necessary.

4. Plaintiff has made the following transaction(s) during the Class Period in the securities that are the subject of this action:

Acquisitions:

Date Acquired	Number of Shares Acquired	Acquisition Price Per Share
08/15/01	250 shares	$18.92

Sales:

Date Sold	Number of Shares Sold	Selling Price Per Share
07/26/02	250 shares	$17.71

5. During the three years prior to the date of this Certificate, Plaintiff has not sought to serve or served as a representative party for a class in an action filed under the federal securities laws except as detailed below:

6. The Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery,

except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the court.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 3rd day of April, 2006.

PHILIP B. ZIPIN

CERTIFICATE OF SERVICE

I, Evan J. Kaufman, hereby certify that that on July 24, 2006, I caused a true and correct copy of the attached Consolidated Amended Class Action Complaint to be served by first-class mail to all counsel on the attached service list.

EVAN J. KAUFMAN

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