



Affidavit #2 of Lisa Maddess
Sworn on April 28, 2020

No. S-194717
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

**IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, [S.B.C. 2002] c. 57
and *THE BUSINESS CORPORATIONS ACT*, R.S.A 2000, c. B-9**

-AND-

IN THE MATTER OF THE LOUIS RACZ CO. LTD.

-AND-

Between

1012109 B.C. Ltd. and LISA MADDESS

Petitioners

and

ETHEL MARY RACZ a/k/a ETUS MARIA RACZ
and MICHAEL SIWIK

Respondents

AFFIDAVIT

I, Lisa Maddess, of West Vancouver, British Columbia, make oath and say as follows:

1. I am a shareholder of the Louis Racz Co. Ltd. (the "Company") and, as such, I have personal knowledge of the matters hereinafter deposed to.
2. I have read to Notice of Application in support of which this affidavit is sworn. Capitalized terms used in this Affidavit and not otherwise defined has the meaning ascribed to them In the Notice of Application or the Petition.
3. The facts set out in paragraphs 1 – 20 of Part 2 of the Notice of Application are, to my knowledge, true.
4. Further, and in particular with respect to paragraphs 13 and 14 in Part 2 of the Notice of Application, I have been aware, for many years, that the Company has no issued or outstanding Class A Common shares. It was for this reason that, when my mother originally passed resolutions in the summer of 2018 authorizing the sale of the Cedar Terrace apartment building (which was the Company's

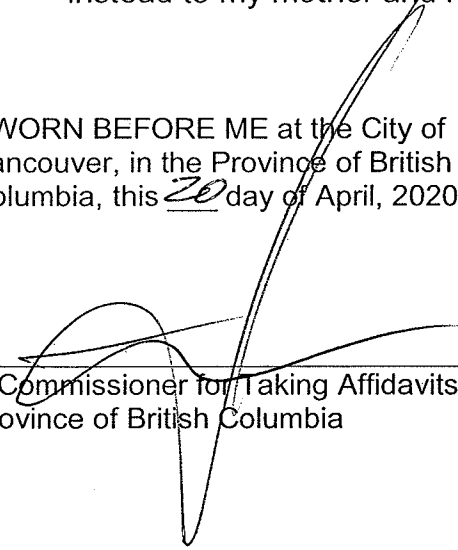
main asset), they provided that the proceeds from that sale would, ultimately, be distributed to the Company's Class C shareholders.

5. At that time, the Class C shareholders were the Petitioner 1012109 B.C. Ltd (which is my mother's holding company), my aunt, the Respondent Ethel Racz, and the Racz Family Trust.
6. Subsequently, by agreement entered into by my mother and I, on the one hand, and my aunt and her son (my cousin), Michael Siwik, on the other, it was agreed that the shares held by the Racz Family Trust would be divided equally between both "sides" of our family – that is, 50% to me and my mother and 50% to Ethel and Michael.
7. The purpose of the various resolutions passed with respect to dividends on Class C shares were to ensure that, ultimately, all surplus assets of the Company were distributed to both sides of the family on a 50-50 basis.
8. Although my aunt had for a number of years refused to complete the redemption of her Class D shares, or to accept any dividends on her Class C shares, neither I nor my mother expected that she and Michael would refuse the distribution of the Company's assets.
9. I appreciate, from reading my aunt's and Michael's correspondence over the past year (some of which is excerpted in Part 2 of the Notice of Application), that my aunt views the sale of the Cedar Terrace apartment building as somehow "illegal". I am sorry about this. I know that my mother, on the advice of counsel, tried to follow all appropriate procedures in authorizing the sale and, subsequently, causing the Company to complete the sale.
10. As noted in my previous application, my aunt has been involved in various legal proceedings involving the estate of her mother (and my grandmother), Rozalia Racz, over the past approximately 20 years. Those disputes have all been resolved in one way or another, by the courts or settlement agreement.
11. The distribution of the assets of the Company is really the last step in the disposition of my grandparents' estates. My grandmother Rozilia Racz was the main beneficiary of my grandfather Louis Racz's estate. Louis Racz died in 1988. Rozilia Racz established the Racz Family Trust in 1998, on the advice of legal and accounting professionals. It was always her intention, I am sure, that any value in the Company would devolve to her heirs.
12. Following the court's July 29, 2019, Order in this proceeding, the Company remitted substantial taxes to the Canada Revenue Agency on account of the gains it realized on the sale of the Cedar Terrace apartment building. In this regard, now shown to me, marked and attached to this my affidavit as **Exhibit "A"** is a copy of a letter dated August 20, 2019, from my mother to the CRA, enclosing payment in the amount of \$4,302,159.

13. This amount was paid on the advice of the Company's tax accountants, KPMG. My mother and I were advised, at the time, that because the Company would be paying substantial taxable dividends to its Class C shareholders during the fiscal year ending June 30, 2020, the Company should, when it files its tax returns following that fiscal year end, be eligible for a substantial tax refund, which KPMG estimated, at the time, would be in excess of \$1,650,000. (This was not an opinion; it was merely an estimate, based on their understanding of the Company's tax and financial situation as of July 29, 2019, and the anticipated payment of taxable dividends of all Class C shareholders after that date.)
14. I was aware of this at the time of the July 29 Order. I was also aware that the Company, even after the payment of \$10,000,000 in dividends on its Class C shares, would be remitting a substantial amount of money (more than \$700,000) to the Liquidator as a holdback for expenses and other contingencies, pending the filing of the Company's 2020 tax returns and its final winding-up.
15. Paragraph 8 of the July 29 Order provides that the Liquidator is to take possession of the assets of the Company, pay the creditors of the Company, file tax returns for the Company, take possession of any tax refunds payable to the Company and, thereafter, distribute any remaining assets to the Class C shareholders of the Company, pro rata in accordance with their shareholdings.
16. This provision was inserted in the July 29 Order to ensure that, ultimately, all of the assets of the Company, including the holdback and any tax refunds, would be paid out to its Class C shareholders, and not somehow forfeited to the government because there are no Class A shareholders.
17. Of course, the assumption, at the time of the July 29 Order, was that the assets would be divided rateably among the Class C shareholders, with half the money going to me and my mother and the other half to Ethel and Michael.
18. I understand that, because my aunt and cousin have refused to accept their dividends, this money may now be considered "unclaimed property" which must be paid to the government. I am certain that my grandparents would not have wanted such a result. Really, at the end of the day, the Class C shares of the Company were a gift from my grandparents' estates, and I am certain that they would have wanted that gift to remain in the Racz family.

19. Accordingly, I ask that the court direct that any Class C dividends otherwise payable to Ethel Racz and Michael Siwik, but which are refused by them, be paid instead to my mother and me, as set out in the Notice of Application.

SWORN BEFORE ME at the City of
Vancouver, in the Province of British
Columbia, this 20 day of April, 2020.



A Commissioner for Taking Affidavits for the
Province of British Columbia



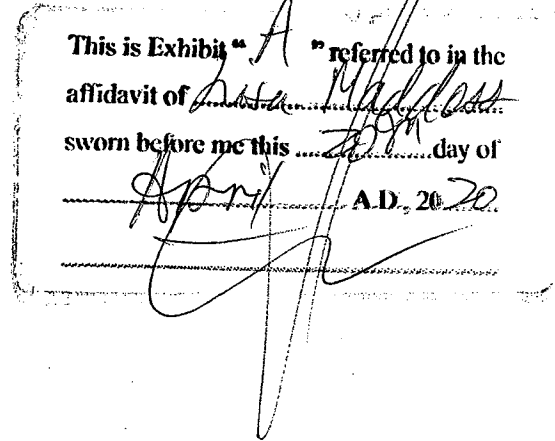
LISA MARIE MADDESS

TAX

LOUIS RACZ CO. LTD.
404-1919 Bellevue Ave
West Vancouver, BC V7V 1B7

Canada Revenue Agency
P.O. Box 3800, Station A
Sudbury ON P3A 0C3

August 20, 2019



Dear CRA:

Subject: Payment of corporate income tax

Please find enclosed the cheque for the payment of income tax for the account of the following corporation:

Name of corporation: LOUIS RACZ CO. LTD.
Taxation year end covered: June 30, 2019
Business Number (BN): 10339 7188 RC0001.

Payment amount: \$ 4,302,159

Regards,

A handwritten signature in cursive script that reads "R. Racz".

RITARACZ
DIRECTOR