**CITATION:** Chafe v. Munro et al., 2025 ONSC 2712
**COURT FILE NO.:** CV-24-00722376-0000
**DATE:** 20250502

**SUPERIOR COURT OF JUSTICE – ONTARIO**

**RE:** PAUL CHAFE, Applicant

AND:

ALEXANDER MUNRO and DANDELION NETWORKS INC., Respondents

**BEFORE:** M.D. Faieta J.

**COUNSEL:** Denise Sayer, for the Applicant

Brendan D. Peters & Sohaib M. Habib, for the Respondent, Alexander Munro

No one appearing for the Respondent Dandelion Networks Inc,

**HEARD:** April 10, 2025



## ENDORSEMENT

[1] The applicant, Paul Chafe ("Chafe") was the largest shareholder of Dandelion Networks Inc. ("Dandelion" or the "Company"). His shares were repurchased by Dandelion for nominal consideration pursuant to a provision in the Shareholder's Agreement that grants Dandelion the right to purchase shares held by a defaulting shareholder. The applicant submits that the circumstances did not trigger the option to purchase and he seeks the following orders:

1. A declaration that Chafe remains a shareholder of Dandelion;

2. A declaration that Dandelion has not repurchased, nor is it currently entitled to repurchase, Chafe's shares under section 5.6 of the Dandelion Shareholder Agreement, nor any other clause thereof; and

3. An order reinstating Chafe as a director of Dandelion.

## BACKGROUND

[2] In August 2021, Chafe and the respondent, Alexander Munro ("Munro"), along with Jason Xu ("Xu") and Estella Yeung ("Yeung'), founded Dandelion Networks Inc. ("Dandelion") which is a start-up company in the blockchain technology space. Chafe, who teaches in the blockchain technology program at George Brown College, served as Dandelion's President and Chief Science Officer and Munro served as Dandelion's Chief Executive Officer.

Chafe and Munro were also Dandelion's sole directors. Chafe and Munro each hold about 43% of Dandelion's voting shares. Xu and Yeung were Chafe's former students.

[3] Neither Munro nor Chafe were entitled to act unilaterally as shareholders. Disagreements and disputes arose. Other than as described below, a fuller description of those issues is unnecessary for purposes of the determination of this application.

[4] In early January 2024, Chafe, Xu and Yeung, who held more than 50% of the voting shares, asked Munro to resign from his role as Chief Executive Officer because they had lost faith in his leadership. A few weeks later, on January 22, 2024, Munro fired Chafe and Yeung. On the same day, the Company notified Chafe that his shares would be purchased for $100.00 which, in turn, has led to this application.

[5] Section 5.6 of the Agreement permits Dandelion to repurchase the shares of a defaulting shareholder ("Call Option"). Section 5.6 states:

> (a) If a Shareholder ("Defaulting Shareholder")
>
> > (i) is declared bankrupt, commits an act of insolvency within the meaning of any bankruptcy and insolvency legislation, is petitioned into bankruptcy and such petition is not contested in good faith or a receiving order is made, is placed in receivership, makes an assignment of his or her property for the benefit of his or her creditors generally, files a petition or makes a proposal under any bankruptcy and insolvency legislation, makes an application under the *Companies' Creditors Arrangement Act (Canada)* or is wound up or dissolved in any way;
> >
> > (ii) is the subject of a seizure of the Shares or any interest therein it holds the capital stock of the Corporation and such seizure is not contested in good faith within ten (10) days following the date of such seizure or if, following such contestation and judgment rendered, a third party appropriates the said Shares; 20 Since Chafe's termination, Munro has issued warrant for Dandelion shares without the required shareholder approval.
> >
> > (iii) is in material breach of his or its obligations or representations under this Agreement or under any instrument or document delivered pursuant to this Agreement at any time hereafter and such default is not remedied, if applicable, within thirty (30) days following the receipt of a written notice signed by the Corporation or other Shareholders indicating the default complained of and referencing this Section; and
> >
> > (iv) directly or indirectly, in any capacity whatsoever, takes or voluntarily participates in any action or attempted action that would negatively comment on, criticize, denigrate or disparage the Corporation, or its respective business, services, products or business operations either orally or in writing, or encourage any Person not to do business with or cease doing business, or otherwise change its business relationship with the Corporation,

> unless otherwise agreed in writing by the Corporation and such Defaulting Shareholder, the Corporation may, within 20 Business Days following the date of any such default (in this Section 5.6, the "Exercise Period"), repurchase any or all of the Shares of such Defaulting Shareholder at a price per share equal to the price per Share actually paid to the Corporation in cash by such Defaulting Shareholder. [Emphasis added]

(b) If the Corporation wishes to exercise its option to repurchase, it must notify the Defaulting Shareholder in writing within the Exercise Period of its election to exercise its option and the number of Restricted Shares of such Defaulting Shareholder it wishes to repurchase. The repurchase of such Restricted Shares will be completed on the tenth (10th) Business Day following the Exercise Period. …

[6] Counsel for Dandelion sent the following letter, dated January 22, 2024 (the "Notice of Default Letter"), to Chafe:

> The purpose of this letter is to advise you, on behalf of the Company, that you are in Default, as that term is defined in section 5.6 of the Shareholder Agreement dated August 17, 2021, among Dandelion's shareholders, and as such the Company will be proceeding with the acquisition of your shares for the purchase price paid. In your case, since no material funds were provided to the Company to acquire your shares, the Company will provide you with a cheque for $100. This notice is effective immediately and the shares will be deemed to have been purchased in ten days' time, consistent with the terms of the Shareholders' Agreement.
>
> The reasons for your default are well known to you:
>
> a. In November 2023, you advised Alex Munro, the Company's CEO, that members of a social media community of which you were a part were pressuring you to allow the Company's tokens to be subject to over-the-counter trading. In doing so, you sought to pressure the Company to allow for over-the-counter trading even though you were aware that such trading could result in adverse regulatory treatment of the Company's tokens, which would have been severely damaging to the Company's core business interests. In support of your efforts to coerce the Company as described above, you alleged that you were fearful for your safety as members of the social media community were dangerous and knew where you lived.
>
> None of these representations were true, as you have subsequently admitted. These acts were clear breaches of your fiduciary duties that exposed the Company to significant risk.
>
> b. You have stated to current employees of the Company that they should not continue to work for the Company as long as Alex Munro remains CEO (in breach of s. 5(6)(a)(iv)).

c. You have incorrectly advised a major customer of the Company that Alex Munro will be imminently resigning from his role as CEO of the Company (in breach of s. 5.6(a)(iv)).

d. You have advised several owners of the Company's node products to hold off on purchasing future nodes until Alex Munro is removed as CEO, thus delaying future sales (in breach of s. 5.6(a)(iv)).

e. You have informed members of the Company's executive team that you would not permit new customers or investors to engage with the Company as long as Alex Munro remains CEO of the Company, and that you would block any such action at the Board level (in breach of 5.6(a)(iv)).

f. You have restricted the Company's access to its service revenue and, in particular, withheld access to Company funds that are held in an e-wallet to which you control access (in breach of 5.6(a)(iii)).

You are acting in consistent and flagrant disregard of your fiduciary duties, which is precisely the kind of misconduct that the "bad actor" provisions in the Shareholders' Agreement are intended to prevent. You have lost any right to continue to participate in the growth of Dandelion and, in connection with this notice, will be removed from all positions held with the Company immediately so as to prevent any further damage.

Should you take any actions on receipt of this notice that further damage the Company, including dissipating any of the funds in the ewallet over which you have improperly maintained control for the Company's benefit, we have instructions to seek immediate injunctive and remedial relief in the Courts for such misconduct and will seeks our costs of having to do so from you personally on the highest possible scale.

[7] The applicant submits that the Company's Call Option was never triggered for the following reasons:

(a) Each of the circumstances found in paragraphs (i) to (iv) of section 5.6 of the Shareholders' Agreement must be satisfied in order to trigger the operation of section 5.6.

(b) In any event, none of the circumstances described in paragraphs (a) – (f) of the Notice of Default have been established as they are based solely on hearsay or double-hearsay evidence.

(c) The Company did not repurchase the applicant's shares within 20 Business Days following the date of a default of the type specified in section 5.6(a) as required by section 5.6(a) of the Shareholders Agreement.

(d) The Company did not notify the applicant in writing within 20 business days following the date of a default of the type specified in section 5.6(a) as required by section 5.6(b) of the Shareholders Agreement.



**Issue #1: Are paragraphs (i) to (iv) of section 5.6 of the Shareholders Agreement to be read conjunctively?**

[8] In *Corner Brook (City) v. Bailey*, 2021 SCC 29, at para. 20, Rowe J. described the principles that govern the interpretation of a contract as follows:

> This Court set out the current approach to contractual interpretation in *Sattva* . *Sattva* directs courts to "read the contract as a whole, giving the words used their ordinary and grammatical meaning, consistent with the surrounding circumstances known to the parties at the time of formation of the contract": para. 47. This Court explained that "[t]he meaning of words is often derived from a number of contextual factors, including the purpose of the agreement and the nature of the relationship created by the agreement", but that the surrounding circumstances "must never be allowed to overwhelm the words of that agreement": paras. 48 and 57. "While the surrounding circumstances are relied upon in the interpretive process, courts cannot use them to deviate from the text such that the court effectively creates a new agreement": para. 57. This Court also clarified that the relevant surrounding circumstances "consist only of objective evidence of the background facts at the time of the execution of the contract..., that is, knowledge that was or reasonably ought to have been within the knowledge of both parties at or before the date of contracting": para. 58.

[9] The word “and” appears at the end of section 5.6(a)(iii).

[10] It would frustrate the operation of the Call Option to require that it could only be exercised when all four types of default occur.

[11] Further the final paragraph of section 5.6(a) refers to “any such default” which does not accord with a conjunctive interpretation given that the singular rather than the plural of “default” is used.

[12] I find that a commercially sensible interpretation of section 5.6 requires that the word “and” at the end of section 5.6(a)(iii) not be read conjunctively.

**Issue #2: Has Munro established, on the evidence, that the circumstances described in section 5.6(a) were triggered?**

[13] Munro does not rely on section 5.6(a)(i) or section 5.6(a)(ii).

[14] Before turning to the balance of the Notice of Default Letter, I note that paragraph (a) of the Notice of Default Letter does not refer to section 5.6 nor does it assert that the

allegations therein amount to breach of any part of section 5.6. Further, the allegations in paragraph (a) refer to discussions with Munro that occurred in November 2023 and thus the Notice of Default Letter was sent far outside the 20-business day window for triggering the use of Section 5.6. As with the case of the application of a time limit in a shot gun clause found in a Shareholder Agreement, strict compliance with the 20 business day requirement is also appropriate given that the Corporation also seeks to involuntary force the sale of a shareholder's interest: See *Western Larch Ltd. v. Di Poce Management Ltd.*, 2013 ONCA 722, at paras. 42-43.

[15] In his affidavit, Munro states:

> 41. Chafe spreads disinformation regarding strife amongst employees In or around January 2024, I was alerted by Remfry that Chafe was telling employees at Dandelion that they should refuse to work at Dandelion under my leadership. Furthermore, Chafe had also told external stakeholders that the entire Tech Team at Dandelion was ready to quit en masse under my leadership.
>
> 42. Chafe's comments were not only untrue, but they were highly disruptive to operations at Dandelion as attention was taken away from achieving deliverables and instead towards a dispute between the co-founders of the Company. The spreading of disinformation among personnel at Dandelion caused confusion and anxiety. This behaviour took time away from my performance of tasks as CEO to effect damage control in assuring everyone at Dandelion, including its stakeholders, that Chafe's comments were untrue.

[16] Chafe Munro's allegations are based on double-hearsay evidence. I find that paragraph 41 is inadmissible as Rule 39.01(5) of the *Rules of Civil Procedure* only permits an affidavit, used on an application, to contain statements based on a deponent's information and belief with respect to uncontentious facts. There was no adequate explanation as to why an affidavit was not obtained from Remfry. Munro did not submit that this evidence should be exceptionally admitted on a principled basis. Chafe states that Munro is misrepresenting discussions that Chafe had with employees regarding Munro's expected resignation as a result of Chafe, Xu and Yeung having asked Munro to resign on January 3, 2024. In any event, Munro's evidence, even if accepted, do not come within the scope of conduct identified by section 5.6(a)(iv).

[17] Paragraph (c) of Notice of Default Letter states that "You have incorrectly advised a major customer of the Company that Alex Munro will be imminently resigning from his role as CEO of the Company (in breach of s. 5.6(a)(iv))."

[18] In his affidavit, Munro states:

> 43. Chafe also told a major customer, YoTon Yo Studios in late December 2023 that I would be imminently resigning. The owner of YoTon Yo Studios, Peter Wacks, told me over the phone that Chafe had called him and had advised him accordingly.

> 44. This was of course untrue. Chafe's reckless comments to a major customer risked instilling doubt in this customer of Dandelion's capacity to foster strong leadership. I was required to reassure Mr. Wacks that no leadership change at Dandelion would be taking place any time soon.

[19] Chafe denies this evidence. Once again, paragraph 43 is inadmissible as it is contested double hearsay evidence for the reasons given above. In any event, these allegations do not come within the scope of conduct identified by s. 5.6(a)(iv). Further, there is no evidence that these alleged statements were made within the 20-business day window prior to the issuance of the Notice of Default Letter.

[20] Paragraph (d) of Notice of Default Letter states that "You have advised several owners of the Company's node products to hold off on purchasing future nodes until Alex Munro is removed as CEO, thus delaying future sales (in breach of s. 5.6(a)(iv))."

[21] In his affidavit, Munro states:

> 45. I also heard from Remfry in or around January 2024 that Chafe was advising a number of node owners to hold off on purchasing any more nodes until after my imminent resignation as CEO.
>
> 46. Chafe's comments to node owners directly resulted in delays of node purchases, reducing the rate at which Dandelion could use this revenue to invest into project development for the benefit of its customers. His comments also caused confusion among node owners as to why a delay in purchasing would be beneficial.

[22] Chafe denies this evidence. Once again, paragraph 45 is inadmissible for the reasons given above. In any event, these allegations do not come within the scope of conduct identified by s. 5.6(a)(iv). Telling a customer to postpone making a purchase does not "…encourage any Person not to do business with or cease doing business, or otherwise change its business relationship with the Corporation" or any other conduct captured by s. 5.6(a)(iv). Further, there is no evidence that these alleged statements were made within the 20-business day window prior to the issuance of the Notice of Default Letter.

[23] Paragraph (e) of Notice of Default Letter states that "You have informed members of the Company's executive team that you would not permit new customers or investors to engage with the Company as long as Alex Munro remains CEO of the Company, and that you would block any such action at the Board level (in breach of 5.6(a)(iv))."

[24] In his affidavit, Munro states:

> 47. In or around December 2023 and into January 2023, Chafe threatened to block at the Board level any action that would involve bringing on new customers or investors at Dandelion while I was CEO. As outlined in an email from Chafe to me on June 16, 2024, he reiterates his position as of January 2024 that he did not approve node sales, share issue, token sales or any other agreement with an external entity not already existing at

> the time Chafe had asked me to step down on January 3, 2024, which I will explain further below. Attached hereto as Exhibit "M" is a true copy of this email.
>
> 48. Threatening to hold hostage the expansion of Dandelion's portfolio of customers and stakeholders until my resignation as CEO represents an abuse of power on the part of Chafe and is a breach of his fiduciary duties. Dandelion could not afford to risk losing customers or investors at this stage of its growth. Chafe's all-or-nothing approach to management underscores his problematic influence on Dandelion at that point in time.

[25] Exhibit "M", referenced above, is an email dated June 16, 2024 from Chafe to Munro. It states:

> Alex – I informed you in January that no external activities are approved. To be very clear, this includes node sales, share issue, token sales, SAFT, and any other agreement with an external entity that was not already existing when we asked you to step down on Jan. 3. You don't have shareholder support and you don't have board support for these actions.

[26] I accept Chafe's submission that he was merely reminding Munro that he cannot take such actions unilaterally without complying with Dandelion's Bylaws and the Shareholder Agreement and thus Chafe's approval as a co-director and without shareholder support. These circumstances do not come within the scope of conduct identified by s. 5.6(a)(iv).

[27] Paragraph (f) of Notice of Default Letter states that "You have restricted the Company's access to its service revenue and, in particular, withheld access to Company funds that are held in an e-wallet to which you control access (in breach of 5.6(a)(iii))."

[28] In his affidavit, Munro states:

> 49. Chafe held sole access to corporate funds in personal bank accounts as well as an e-wallet containing about $210,000 United States Dollars in USDC cryptocurrency that was collected through node sales. Apparently, Xu also had access to this e-wallet in case something were to happen to Chafe. Yeung, who is a Chartered Professional Account of Ontario, was responsible for Dandelion's accounting including sales and payroll.
>
> 50. In or around early January 2024, Chafe had proposed a winding up the Company. Attached hereto as Exhibit "N" is a message thread between Chafe, Yeung, Xu and I from January 5 2024 to January 22, 2025 regarding the accounting logistics of winding up. At page 6 of Exhibit "N", in a January 15, 2024 message to Chafe and Yeung, I asked that the funds in the e-wallet be transferred to a Dandelion corporate account so that we could plan for distribution to shareholders. At page 7, on January 16, 2024, Yeung replied that these funds should not be transferred out of the e-wallet as they should be used to pay back node owners in the event of a wind up and that transfers incur a transaction fee. Chafe accordingly refused to move any funds out of the e-wallet.

> 51. Chafe and Estella also cited concerns over transaction fees for this transfer, to which I replied on January 19, 2024 at page 8 of Exhibit "N" that these transaction fees is not a proper reason to not transfer the funds in the e-wallet back to the Company. I stressed that these funds would be needed to ensure that payroll is met for the term of our obligations. Chafe did ultimately transfer $30,000 Canadian Dollars to the Company's bank accounts, as he states January 20, 2024 at page 11 of Exhibit "N". No further transfers were made until March 2024, as discussed further below.

[29] In short, Munro states that Chafe restricted Dandelion's access to its e-wallet and serve revenue. The message relied upon by Munro does not support this assertion. The message shows that there was a debate between Chafe, Yeung and Xu and Munro regarding whether funds should be removed from the e-wallet if Dandelion was going to be wound up or paid to shareholders. Chafe later transferred $30,000 to Dandelion's bank account when Munro advised that funds were needed to ensure payroll was met.

[30] I find that Chafe's conduct does not amount to a material breach of his obligations or representations under the Shareholders Agreement or under any instrument or document delivered pursuant to that Agreement. Further there is no evidence that of a written notice referencing section 5.6(1)(iii) and signed by the Corporation or other Shareholders to remedy this alleged breach and thus no basis to find that Chafe was in default with such obligation thirty (30) days following the receipt of such written notice.

**Issue #3: Is the purported repurchase of Chafe's shares void for failure to deliver the purchase price within 10 days?**

[31] Section 5.6(b) states:

> If the Corporation wishes to exercise its option to repurchase, it must notify the Defaulting Shareholder in writing within the Exercise Period of its election to exercise its option and the number of Restricted Shares of such Defaulting Shareholder it wishes to repurchase. The repurchase of such Restricted Shares will be completed on the tenth (10th) Business Day following the Exercise Period. [Emphasis added]

[32] There is no dispute that the payment of $100 for Chafe's shares was not sent until April 2024, three months after the Notice of Default Letter.

[33] Section 1.3(i) of the Shareholder Agreement states that:

> Time is of the essence in the performance of the Parties' respective obligations.

[34] For the same reasons as described earlier, the ten business day requirement for the payment of the shares should be strictly complied with when a company is seeking to expel a shareholder. I find that the purported repurchase of Chafe's shares is void for failure to comply with this provision.

**Order**

[35] The Order sought by the applicant is granted.

[36] The parties are encouraged to make every effort to settle the issue of costs failing which the applicant shall deliver his costs submissions by May 9, 2025 and the respondent shall deliver his costs submissions by May 16, 2025. These submissions shall be no greater than three pages in length excluding any offers to settle and an outline of costs.

Mr. Justice M.D. Faieta

**Date:** May 2, 2025