

the common expense charges for owners in the two condominiums, and litigation commenced by the two boards on behalf of the condominium corporations against the developer of the two condominium developments. That litigation involves allegations that the developer failed to comply with various provisions of the *Condominium Act, 1998* in relation to first-year budget statements, and engaged in misleading disclosure to purchasers about common expenses.

[3] The applicants argue that the respondent has engaged in communications with owners of units that aim to discredit the current boards, including by providing what the applicants argue is misleading information. The applicants also argue that the respondent is effectively acting as an agent of the developer of the condominiums (or “declarant” to use the language of the *Condominium Act, 1998*), against whom the boards have commenced the litigation referred to in paragraph 2 above. On the basis of the assertion that the respondent has engaged in misleading communications with owners of units in the developments, the applicants ask the court to step in and direct the calling of the owners meetings, prohibit the use of proxies at the meetings, regulate communication leading up to the meetings and vote, and set the process for conduct of the meeting.

[4] The respondent argues that he has communicated to owners of units about an issue of debate in the community. He denies providing misleading information to anyone. He denies that he is in any way acting as an agent of the developer. The respondent agrees that meetings of the owners should be called, and agrees with the proposed independent chair for the meetings suggested by the applicants, but otherwise takes the position that it is unnecessary for the court to regulate the meetings.

Key points in dispute

[5] At this stage, both the applicants and respondent are in agreement that meetings of the owners must be called to hold votes on whether the current boards should be removed. So, it is not in dispute that a meeting of the owners must be called imminently. What is in dispute are primarily three procedural issues in relation to the meeting: 1) whether owners of units in the condominiums may use proxies to vote at the meeting; 2) whether the court should make an order regulating communication with and between owners of units in advance of the meetings; and 3) whether the court should make orders regulating the conduct of the meetings.

[6] Before turning to those three issues, I will briefly address the factual and legislative context in terms of the process by which some owners of units in the condominiums sought to have meetings of the owners of both condominium corporations called, and the validity of that process.

The validity of the requisitions

[7] At base, the legal issues in this application are about governance of two condominium corporations. The structure of governance set up under the *Condominium Act 1998* and the by-

laws for these condominiums provides for a democratic process of corporate governance. The constitutional documents of the system of governance for these condominiums are the *Condominium Act, 1998*, and the by-laws of the particular condominium corporations.

[8] The boards of directors of the condominium corporations are elected by the owners of the units. Importantly, although the day-to day governance is done by the board of directors, if the owners of units in the condominium corporations are dissatisfied with the governance provided by the boards, they can require that a meeting of owners be held to consider an issue or issues, including a proposal to remove one or more directors: *Condominium Act, 1998*, s. 46.

[9] Section 46 of the *Condominium Act 1998* sets out the process for owners to requisition a meeting. In general terms, in order to requisition a meeting of owners, the requisition must be made by owners who own at least 15 percent of the units in the condominium corporation, are listed in the record maintained by the corporation under s. 47(2), and are entitled to vote. There are also formal requirements for the requisition. It must be signed by the requisitionists, state the nature of business to be presented at the meeting, and be delivered personally or by registered mail to the president or secretary of the board, or deposited at the address for service of the corporation. Further, if the business to be presented at the meeting includes the removal of one or more directors (as in this application), the requisition shall state, for each director who is proposed to be removed, the name of the director, the reasons for the removal, and whether the director occupies a position on the board that under s. 51(6) is reserved for voting by owners of owner-occupied units.

[10] Section 46 of the Act further provides that upon receiving a requisition, the board shall either, if the requisitionists consent, add the business to be presented to the next annual general meeting, or, call and hold a meeting within 35 days. Only the latter possibility is at play in this application. If the board does not comply with one of these mandatory requirements, the requisitionists may call a meeting of the owners, to be held within 45 days of the day on which the meeting is called.

[11] In this case, the requisitions were delivered to the two boards in accordance with the Act. However, the boards did not call the meetings, but instead brought this application.

[12] Counsel for the applicants initially argued that the requisitions failed to meet with statutory criteria of noting which of the directors for whom removal was sought occupied a position on the board for which voting was reserved to owners of owner-occupied units. I note that the applicants did not include the requisitions in their application material. The respondent did include the requisitions in his materials. The requisitions clearly on their face include a column which indicates which directors hold positions that are elected by vote of owner-occupied units. After hearing the submissions of counsel for the respondent on this issue, counsel for the applicant agreed that he had been mistaken, and effectively conceded that the requisitions on their face comply with the statutory criteria in s. 46 of the *Condominium Act 1998*.

[13] I have reviewed the requisitions. I am satisfied that they meet all of the criteria set out in s. 46 of the *Condominium Act, 1998*.

[14] The applicants argue that they needed to bring this application because they are of the view that the respondent and others have provided misleading information to owners to induce them to sign the requisitions. With respect, I am not persuaded on the record before me that this is the case. In any event, with the statutory criteria met, I see no basis for the applicants to refuse to call the meeting as required by s. 46 of the *Condominium Act, 1998*.

[15] The statutory criteria for a meeting to be requisitioned under s. 46 were met. The boards should have called the meetings. If they felt that there was misleading information circulating about the issues underlying the call to remove members of the boards, the boards were free to communicate with owners of units and provide whatever information they felt residents should have to make an informed decision about the issues. They are still free to do so.

Use of proxies at the meeting

[16] As I have outlined above, the applicants seek to deny the use of proxies at the meetings of the owners to vote on the possible removal of directors because, in their view, the respondent has circulated misleading information in the community, and there is a risk that proxies will be obtained based on misleading information.

[17] I note that the arguments made by the applicants in seeking to deny the use of proxies focus primarily on the conduct of the respondent, and to a lesser degree on actions of the developer/declarant. However, the impact of the order sought by the applicants to deny the use of proxies is wide-ranging. It would affect any owner who wants to vote at the meetings in relation to removal of directors, but for whatever reason finds it inconvenient or even impossible to attend.

[18] The applicants rely on various authorities regarding restricting or limiting the use of proxies in corporate governance outside of the context of the *Condominium Act, 1998*; however, all deal with cases involving proxies which have already been issued, not with prospectively preventing the use of proxies. In this case, no proxies for these meetings have yet been issued. This is because they cannot be issued until the date of the meeting is fixed, because s. 52 of the *Condominium Act, 1998* requires that proxies shall be “for one or more particular meetings of owners”.

[19] Quite apart from my concern about prospectively disallowing the use of proxies, in light of the consumer protection purpose of the *Condominium Act, 1998* (see for example: *Hogan v. Metropolitan Toronto Condominium Corporation No. 595*, 2014 ONSC 3503 at paragraphs 15, 19-21), I am cautious in relying on authorities limiting the use of proxies outside the condominium context.

[20] The applicants also rely on one unreported decision by Justice Tulloch, when he was a member of this court, prohibiting the use of proxies at a meeting in a dispute about the governance of a condominium corporation: *Peel Condominium Corporation No. 449 v. Owen*,

unreported decision dated October 19, 2004. Fairly, the applicants also put before the court the contrary decision of Justice D.M. Brown, also when he was a member of this court, in *York Condominium Corporation No. 42 v. Hashmi*, 2011 ONSC 7178. In *York Condominium Corporation No. 42*, Justice Brown held that the *Condominium Act, 1998* creates a right for owners to vote by proxy, and that the court does not have discretion to deny that right: see paragraphs 19-22.

[21] Neither of these decisions is binding on me. With respect, I prefer the reasoning of Justice Brown in *York Condominium Corporation No. 42, supra*.

[22] Both the *Condominium Act, 1998*, s. 52, and the by-laws of these particular condominium corporations provide for the use of proxies at meetings if certain formal requirements are met. Indeed, the Act now provides for a mandatory form for proxies to ensure that the requirements in the Act for proxies are complied with. Proxies are a means to maximize participation in meetings where owners of units are entitled to vote on matters of governance of a condominium corporation. I am not persuaded that I have the authority to deny owners the statutory right to vote by proxy.

[23] Further, even if I do have the authority to do so, I am not persuaded that the record before the court justifies denying the use of proxies. I have reviewed the full record, in particular the communications that the applicants rely on to argue that proxies should not be permitted due to the nature of communications the respondent has engaged in. With respect, I do not agree with the applicants' position.

[24] The applicants describe the respondent's communications as "propaganda" and "misinformation". I accept that that is their perspective, from their side of the debate about the special assessment. However, it is equally clear to me that the respondent and the "dissident" owners who disagree with the special assessment do not see the respondent's communications as propaganda, but rather see them as the other side of the debate on an issue of importance to the community, where clearly there are strong opposing views. I observe that strongly held opposing views are not unusual in democratic governance, but rather, are often part of the process.

[25] I will not summarize the many documents included in the record, and referred to in oral argument. It is clear from my review of the record that the communications by the respondent were communications to members of the community, about an issue of importance in the community, that is, the special assessment, and whether the owners were in agreement with the approach taken by the boards. Many of these communications by the respondent are unexceptional, and although at times strongly worded, in my view not inappropriate in tone

[26] That is not to say that all of the respondent's communications were a model of democratic debate. Counsel for the respondent described some of them in oral argument as "colourful" and "entertaining". In my view, some of the communications go beyond that. Some are unconstructive in their language, mean-spirited, and contain personal insults directed at various individuals. But it is clear that in substance the respondent is seeking in his communications to put forward his position that the special assessment is unwarranted, and that the board members should be removed.

[27] Would the long terms health of the community be better-served by the respondent moderating the tone of some of his communications? In my view, the answer to this question is undoubtedly, yes. As I expand on at the close of these reasons, these condominiums are a community. In the end, all members of the community will have to live with the outcome of the upcoming meetings and votes, and will have to carry on living together. A more measured tone of debate would further that goal, while still allowing individuals on each side of the debate to fully put forward their opposing views. I would urge the respondent to use a more constructive tone in his communications going forward. But, I am not persuaded that the respondent's excesses at times in putting forward his position to members of the community warrant preventing the use of proxies in the votes to consider whether the current directors of the boards should be removed.

[28] In all of the circumstances, I am not persuaded that the communications by the respondent, and circulating in the community generally, are such that I should remove the right to vote by proxy, a right which is provided for in both the *Condominium Act, 1998*, and the by-laws of these condominium corporations. The purpose of making proxies available under the Act is to allow owners to participate in a vote who may not be able to attend a meeting. I find that the importance of that purpose for proxies is heightened in these condominium corporations, because by their structuring documents they are vacation condominiums, and owners must have another primary residence. As such, I accept that proxies take on increased importance in this community, where owners may, as a matter of their primary residence, live elsewhere.

[29] I note that the boards of directors of the condominium corporations, or any owners who support the current boards and the special assessment are not without means to address what they perceive as propaganda and misinformation. The boards are free to communicate with the owners and send them information about the boards' positions in the debate, and whatever documents or evidence they want to send in support of those positions. It will be up to the owners, once they consider all the information at their disposal, to decide how they want to vote.

Communication prior to the meeting

[30] The applicants seek orders limiting communication with and between owners in the developments leading up to the meeting. In particular, the applicants seek two orders controlling communications. First, the applicants seek an order that there be a mailing to owners which will enclose submissions from each side of the debate, which will be sent to unit owners with notice of the meetings. I note that counsel for the applicants submitted in oral argument that the content of these submissions should be vetted by counsel for the parties. Second, the applicants seek an order that other than the mailing I have just described, "there shall be no communication with or among unit owners, directly or indirectly, prior to the commencements of the meeting concerning the positions of the parties."

[31] The applicants argue that these orders limiting communication about the issues in the community prior to the meetings are necessary for essentially the same reasons that they seek to prohibit proxies – their claim that the respondent has engaged in misleading communications with owners.

[32] I disagree with the applicants' position on communication leading up to the meeting for essentially the same reasons as I have outlined with respect to the use of proxies.

[33] The *Condominium Act, 1998* sets up a system of democratic governance for condominium corporations. That democratic structure is reflected in the by-laws for these two condominium corporations. The democratic model means that members of the community (the owners) are entitled to vote to elect the boards of directors of the corporations, and to seek to remove them when they feel that the boards no longer represent the view of the majority of owners. A necessary companion to the right to vote is the right to discuss important issues that will be the subject of a vote.

[34] The order sought by the applicants limiting communication to an official mail-out containing the positions of each side, and banning all other communication with and among unit owners prior to the meetings, is such a confined view of communication between the owners that it is not consistent with the democratic model in the *Condominium Act, 1998*. I decline to make an order regulating communication with and among owners of units leading up to the meeting.

[35] As I have noted above at paragraph 29 above, if the boards are concerned about what they view as misinformation, they are free to communicate with the owners and seek to persuade them to support the boards' position.

The conduct of the meeting

[36] The applicants request that I make orders for the conduct of the meetings. The requested orders are essentially two: first, naming Michael Spears, a lawyer, as an independent person to chair the meetings; second, directing time allocation for speakers at the meetings.

[37] With respect to the first request, the respondent consents to Mr. Spears being named to chair the meetings. Based on the consent, I will make that order. It is in the interests of all parties and of all owners in the two condominium corporations that the meetings be chaired by someone accepted to be independent. This will support the legitimacy of the proceedings and the votes.

[38] With respect to the second request, I agree with the approach of Justice Molloy in *Peel Condominium Corporation No. 516 v. Williams*, [1999] O.J. No. 770 at paragraphs 20-22 (Gen. Div.). I do not see the need to manage the conduct of the meeting on behalf of the chair. The parties are in agreement that Mr. Spears has the independence to fairly chair the meetings. I will leave it to him as chair to regulate the conduct of the meetings, in accordance with the *Condominium Act, 1998*, and the by-laws of the two condominium corporations.

[39] I would add that although the parties did not agree on whether I should make orders about how the meeting should be conducted, they did agree that time to speak should be allocated in a balanced manner between the opposing sides in the debate about the special assessment and whether the boards should be removed. In argument, counsel for the applicants argued that as part of the time allocation for speakers, each of the incumbent board members should be given an opportunity to speak. In light of the fact that the incumbent board members are facing a vote

on their removal, in my view fairness dictates that they should each be allowed to speak at the meeting if they wish. However, given that the sole issue underlying the call for removal is the special assessment, the time for the incumbent board members to speak should be considered as part of the time allotment for the side supporting the special assessment and opposing removal of the current boards of directors.

Other matters

[40] In the proposed draft order submitted by the applicants, the applicants also seek a term requiring that individuals attending the meeting provide government-issued photo identification in order to be allowed to vote. I note that this request was not included in the applicants' Notice of Application. There is no evidence whatsoever before the court that there has been a problem of impersonation or fraudulent attendance at meetings by people who are not unit owners. There is nothing in the record before me to support the need for this order. I decline to make it.

[41] Although the respondent did not file an application of his own, as part of the relief on the applicants' application, he requested two types of relief, which I will address.

[42] First, he requested disclosure of the list of names of owners and mortgagees in the two developments. His counsel argues that this is required to be produced to any owner under the *Condominium Act, 1998*. Counsel for the applicants argues that there are exceptions for reasonable refusals to produce this information, and further argues that this relief should not be ordered as it is distinct from the applicants' application, and the respondent has not filed his own application.

[43] I will not order the production of the list of names of owners and mortgagees. The respondent has not filed an application seeking this relief, and in my view his request is not properly before the court.

[44] Second, the respondent asked that owners who have not paid the special assessment, and thus are in arrears, be permitted to vote in the upcoming meeting. I also decline to order this relief. Counsel for the respondent candidly submitted in oral argument that there is some doubt as to whether the court has the authority to make this order. Further, as with the request for the list of owners and mortgagees, the respondent has not brought his own application, so I find that the request is not properly before the court.

Costs

[45] The respondent seeks costs on a substantial indemnity basis against the directors personally. The respondent relies on the approach set out by the Court of Appeal in *1318847 Ontario Limited v. Laval Tool and Mould Ltd.*, 2017 ONCA 184 in relation to a court's jurisdiction to order costs against non-parties.

[46] In *1318847 Ontario Limited, supra*, the Court of Appeal considered the statutory and inherent jurisdiction of a Superior Court to order costs against a non-party. The statutory jurisdiction should be considered according to the three-part “person of straw” test. The inherent jurisdiction only arises if the court finds an abuse of process by the non-party: *1318847 Ontario Limited, supra* at paragraphs 58-79.

[47] I reject the respondent’s claim for costs against the directors personally. His claim fails at each branch of the of the “person of straw” analysis.

[48] On the first branch, counsel argued that the application was brought in the name of the corporations, but that its substance was asserting the rights of the board members as owners, and could have been brought in their names personally. With respect, the substance of the application would not be the same if it was brought in the name of the board members personally as owners. The application responds to the requisitions filed under s. 46 of the *Condominium Act, 1998*. Those requisitions are directed at the boards, not at the board members as owners of their individual units. Thus, I find that the board members as individual unit owners would not have had the status to bring the application which was brought.

[49] For essentially the same reasons, I find that the second branch of the “person of straw” analysis is not met. The corporations are the true litigants, as what the applicants seek to have decided by the court is the obligations of the board members, in their status as the boards of each condominium corporations, in responding to the requisitions delivered under s. 46 of the *Condominium Act, 1998*. Thus, the applicants are the true litigants.

[50] With respect to the third branch of the analysis, I am not persuaded that the board members brought this application in the name of the corporations for the purpose of avoiding personal liability for costs. The record simply does not support this conclusion. And as I have noted, the application is in response to the requisitions under s. 46 of the *Condominium Act*, which was directed to the boards, not to the board members as individual owners of units.

[51] In sum, I am unable to find that the intention of the directors in bringing this application in the name of the corporations was to avoid personal liability for costs.

[52] Nor do I find that the applicants’ conduct in this case amounts to an abuse of the court’s process which would justify an award of costs against the directors personally based on the courts inherent jurisdiction.

[53] However, I find that the respondent is entitled to costs on the partial indemnity scale from the applicants. I order that the applicants pay the respondent’s costs because the respondent was, in substance, the successful party in the application. However, I should make clear that although I have ruled in favour of the respondent, I do not accept the respondent’s submission that the applicants acted in bad faith or for improper motives in bringing the application.

[54] Pursuant to the *Courts of Justice Act*, s. 131(1), the Court has a broad discretion when determining the issue of costs. Rule 57.01(1) sets out the factors to be considered by the court when determining the issue of costs.

[55] The overall objective of fixing costs is to fix an amount that is fair and reasonable for the unsuccessful party to pay in the particular circumstances, rather than an amount fixed by actual costs incurred by the successful litigant: *Boucher v. Public Accountants Counsel for Ontario*, 2004 CanLII 14579 (ONCA). I have considered these factors, as well as the principle of proportionality, keeping in mind that the court should seek to balance the indemnity principle with the fundamental objective of access to justice.

[56] In this application, although the final order will state that the application is allowed in part, in substance the respondent is the successful party. As I have set out, the requisitionists met the legal requirements to have a meeting called under s. 46 of the *Condominium Act 1998*. As the board did not call the meeting, the requisitionists met the statutory criteria to call the meeting themselves. However, all parties agree that now that the matter is before the court, it is appropriate for the court to direct the boards to call the meeting and give the required notice under the by-laws.

[57] On the issues that were the substance of the dispute in the application before me, the use of proxies, and whether communication in the community should be restricted in advance of the meeting, the respondent was successful. Thus, in my view he is the successful party in the litigation.

[58] The applicants argue that the respondent should not be entitled to costs because he refused to accept their offer to settle. However, according to the applicants' submissions, their offer to settle included many of the terms I have rejected in this decision. The respondent should not be disentitled to costs because he rejected offers to resolve the litigation that were significantly less favourable to him than the order the court makes today. Nor do I find that the nature of the respondent's communications in the community about the debate over the special assessment and the possible removal of the boards disentitles him to costs.

[59] An important factor in assessing the quantum and proportionality of costs is the reasonable expectation of the parties, in particular the party who is being ordered to pay costs. In this case, the applicants' costs outline, which was filed at the close of the hearing of the application, sought costs of \$18,630.33, if awarded on a partial indemnity basis. I note that this amount is greater than the quantum of costs sought by the respondent, which is \$14,103.59, if awarded on a partial indemnity basis. In my view, this speaks to the reasonableness and proportionality of the quantum of costs sought by the respondent. My review of the costs outlines and hours spent by counsel on both sides confirms this conclusion.

[60] Considering all of the circumstances, I find that it is appropriate that the applicants pay costs to the respondent on a partial indemnity basis. I find that an appropriate and proportionate award of costs in all of the circumstances, including the nature and complexity of the dispute and the reasonable expectations of the parties, is that the applicants shall pay the respondent's costs of the application in the amount of \$14,000.00 inclusive of disbursements and HST.

The Order

[61] I will not make an order enjoining the respondent or other residents holding a meeting of owners. I find that it is not necessary to make an injunction order. The basis for making such an order has not been shown by the applicants. The applicants and the respondent agree that a special meeting of each condominium corporation must be called for the purpose of voting on whether any of the current directors should be removed, and if so, the election of a new director or directors in place of any director removed. Although the criteria have been met for the requisitionists to call the meeting themselves pursuant to s. 46 of the *Condominium Act*, counsel for the respondent indicated in submissions that he would be content with the court directing the condominium boards to call the meetings, and give notice of the meetings. I agree that this makes sense at this stage as it is the most efficient way to call and give notice of the meetings.

[62] With regard to the date of the meetings, the applicants have proposed July 8, 2018, because they have confirmed that a venue that was used for previous owners meetings is available that date. They have also confirmed that the independent chair, Mr. Spears is available that date. The respondent proposes June 9 or 16, 2018. But counsel for the respondent was also clear in submissions that the respondent did not have a strong position on the specific date. His concern was simply that the meetings should be held as soon as could be, subject to the time requirements of notice in the *Condominium Act, 1998*, and the by-laws.

[63] Effectively, the minimum notice requirement at this stage is 37 days, which is 20 days for the preliminary notice, 15 days for the notice, and 2 days for the notice to be deemed effective (*Condominium Act, 1998*, s. 47, and s. 10.2 of the by-laws). Both parties have a preference to hold the meeting on a weekend, to maximize the ability of individuals who wish to attend the meetings in person to do so. In light of these notice requirements, it would not be possible at this point to hold the meetings on a weekend date earlier than June 30 (and July 1 is a statutory holiday). In the circumstances, given that we know that a suitable venue and Mr. Spears are available July 8, I find that it is preferable to hold the meetings on July 8, 2018, rather than schedule it for June 30, when availability of a suitable venue, and the availability of Mr. Spears, are unknown.

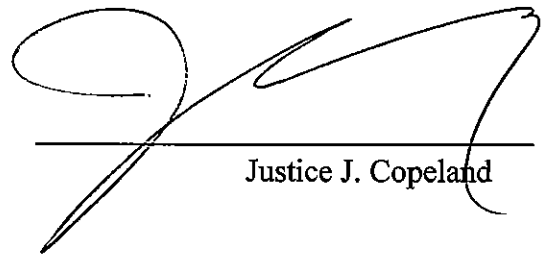
[64] For these reasons, the application is allowed in part. I make the following order with respect to the holding of the meetings:

1. A special meeting of each of the applicant condominium corporations shall be held on July 8, 2018, upon the following terms:
 - a. the meetings will be called by the condominium corporations in accordance with their normal practice and in accordance with the *Condominium Act, 1998*;
 - b. the meetings will be for the purpose of voting as to whether any of the current and/or then current directors should be removed as directors of the condominium corporations, and if so, the election of a director or directors in place of any director removed;

- c. the meetings shall take place for one condominium corporation between 9:30 a.m. and 12:30 p.m., and for the other condominium corporation between 2:00 p.m. and 5:00 p.m.;
 - d. the chairperson of the meetings shall be the lawyer, Michael Spears;
 - e. as chairperson, Mr. Spears shall regulate the conduct of the meetings in accordance with the *Condominium Act, 1998*, and the by-laws of each condominium corporation;
2. The applicants shall pay the respondent's costs of this application in the amount of \$14,000.00.

Closing words

[65] People's homes are important to them. This is true both for a vacation community where people may not live full-time, as in this case, and for a primary residence. It is clear from the record before me that people on both sides of the underlying dispute about the special assessment and whether the current boards of directors should be removed have strong feelings about the issues. People are entitled to hold the views they hold, on both sides of the issues. But in the end, the owners of units will have to live together in this community, whatever the outcome of the meetings and votes about the boards of directors. I urge all members of the community to keep in mind that the purpose of the meetings, the votes, and any discussion leading up to the meetings, is to allow members of the community to inform themselves, to discuss the substance of the issues, and then to exercise their right to vote in accordance with the democratic model set up under the *Condominium Act, 1998*. This process of democratic decision-making is best achieved by civil discussion of the issues, not by personal invective, and by openly and calmly hearing both sides of the issues, and then making a decision.



Justice J. Copeland

Released: May 22, 2018

CITATION: Simcoe SCC Nos. 431 and 434, 2018 ONSC 3105
COURT FILE NO.: CV-18-596544
DATE: 20180522

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

SIMCOE STANDARD CONDOMINIUM
CORPORATION NO. 431 and SIMCOE STANDARD
CONDOMINIUM CORPORATION NO. 434

Applicants

– and –

MARC ATKINS

Respondent

REASONS FOR DECISION

Justice J. Copeland

Released: May 22, 2018