



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

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**IN THE MATTER OF THE *SECURITIES ACT*,  
R.S.O. 1990, c. S.5, AS AMENDED**

**- AND -**

**IN THE MATTER OF  
ONIX INTERNATIONAL INC. and TYRONE CONSTANTINE PHIPPS**

**STATEMENT OF ALLEGATIONS  
OF STAFF OF THE ONTARIO SECURITIES COMMISSION**

Staff of the Ontario Securities Commission (“Staff”) make the following allegations:

**I. OVERVIEW**

1. This proceeding involves the unregistered trading and illegal distribution of securities by Onix International Inc. (“Onix International”) and Tyrone Constantine Phipps (“Phipps”) (collectively, the “Respondents”).
2. Onix International was incorporated by Phipps in February 2009 for the purpose of entering into a business relationship with ENC Security Systems Inc. (“ENC”) to market and sell ENC’s “encrypt-stick” encryption software (the “Encrypt-Stick Software”).
3. ENC was incorporated pursuant to the laws of British Columbia and its operations are located primarily in British Columbia. ENC is in the business of developing computer encryption software, including the Encrypt-Stick Software.
4. On September 21, 2009, Onix International entered into a “World Wide License Agreement” with ENC that, among other things, granted Onix International the worldwide license to promote, distribute, market and sell the Encrypt-Stick Software (the “License Agreement”).

5. At the time it entered into the License Agreement, Onix International had no active business operations and its sole anticipated business related to ENC and the License Agreement.
6. Starting in March 2009, the Respondents began selling royalty units to members of the public for the purpose of raising capital to fund the ongoing operations of ENC (the “ENC Royalty Units”). The Respondents raised approximately \$436,000 from 29 investors including residents of Ontario (the “ENC Investors”) between March 1, 2009 and June 3, 2009 (the “ENC Material Time”).
7. In April 2009, the Respondents also began selling royalty units to members of the public for the purpose of raising capital to fund the operations of Onix International (the “Onix Royalty Units”). The Respondents raised approximately \$232,000 from 17 investors including residents of Ontario (the “Onix Investors”) between April 11, 2009 and December 31, 2009 (the “Onix Material Time”).
8. In total, the Respondents raised approximately \$668,000 from approximately 38 investors between March 2009 and December 2009 (the “Material Time”).
9. Neither Onix International nor Phipps was registered to trade in securities and the securities at issue were not qualified by a prospectus.

## **II. THE RESPONDENTS**

10. Onix International was provincially incorporated in Ontario on February 6, 2009. During the Material Time, the registered office of Onix International was located in Ontario.
11. Phipps is a resident of Ontario. Phipps incorporated Onix International and was a director, officer, and the directing mind of Onix International during the Material Time.

### **III. THE DISTRIBUTION OF THE ENC AND ONIX ROYALTY UNITS**

12. As noted above, starting in March 2009, the Respondents began selling the ENC Royalty Units to the ENC Investors for the purpose of funding the ongoing operations of ENC.
13. The ENC Royalty Units entitled the ENC Investors to 0.01 percent of gross revenue from worldwide sales of the Encrypt-Stick Software and “all future products sold by [ENC]”.
14. The Respondents provided the ENC Investors with subscription agreements and other documents to support their investment in the ENC Royalty Units.
15. During the ENC Material Time, the Respondents raised a total of approximately \$436,000 from the sale of the ENC Royalty Units to the ENC Investors.
16. The funds raised by the Respondents from the ENC Investors were provided to ENC to fund its operations.
17. One month into selling the ENC Royalty Units, in April 2009, the Respondents also began selling the Onix Royalty Units.
18. Like the ENC Royalty Units, the Onix Royalty Units purported to entitle the purchaser to 0.01 percent of gross revenue from worldwide sales of the Encrypt-Stick Software and the Respondents relied on virtually identical materials to sell them.
19. During the Onix Material Time, the Respondents raised a total of approximately \$232,000 from the sale of the Onix Royalty Units to the Onix Investors.
20. The funds raised by the Respondents from the Onix Investors were retained by the Respondents and/or used to fund the operations of Onix International.

21. The ENC Royalty Units and the Onix Royalty Units were “securities” as defined in section 1(1) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") that had not been previously issued.
22. During the Material Time, neither ENC nor Onix International was a reporting issuer and neither the ENC Royalty Units nor the Onix Royalty Units were qualified by a prospectus.
23. Neither Onix International nor Phipps was ever registered in any capacity with the Ontario Securities Commission (the “Commission”).

#### **IV. CONDUCT CONTRARY TO ONTARIO SECURITIES LAW AND THE PUBLIC INTEREST**

24. The specific allegations advanced by Staff are as follows:
  - (a) The Respondents traded in securities and engaged in and/or held themselves out as engaging in the business of trading in securities without being registered to trade in securities and in circumstances where no exemption was available, contrary to section 25(1) of the Act, as that section existed at the time the conduct commenced and as subsequently amended on September 28, 2009, and contrary to the public interest;
  - (b) The actions of the Respondents related to the sale of the ENC Securities and the Onix Securities constituted distributions of securities where no preliminary prospectus and prospectus were issued nor receipted by the Director in circumstances where no exemption was available, contrary to section 53(1) of the Act and contrary to the public interest; and
  - (c) Phipps being a director and/or officer of Onix International did authorize, permit or acquiesce in the commission of the violations of sections 25(1) and 53(1) of the

Act, as set out above, by Onix International, contrary to section 129.2 of the Act and contrary to the public interest.

25. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

**DATED** at Toronto, March 7, 2013.