



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**

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**SETTLEMENT AGREEMENT  
BETWEEN STAFF AND ONIX INTERNATIONAL INC. AND TYRONE  
CONSTANTINE PHIPPS**

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**PART I - INTRODUCTION**

1. By Notice of Hearing dated March 8, 2013, the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing, commencing on April 3, 2013, pursuant to sections 37, 127, and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"), to consider whether it is in the public interest to make orders, as specified therein, against Onix International Inc. ("Onix International") and Tyrone Constantine Phipps ("Phipps") (collectively the "Respondents"). The Notice of Hearing was issued in connection with the allegations as set out in the Statement of Allegations of Staff of the Commission ("Staff") dated March 7, 2013.

2. The Commission will issue a Notice of Hearing to announce that it will hold a hearing to consider whether, pursuant to sections 37 and 127 of the Act, it is in the public interest for the Commission to approve this Settlement Agreement and to make certain orders in respect of the Respondents.

## **PART II – JOINT SETTLEMENT RECOMMENDATION**

3. Staff agree to recommend settlement of the proceeding initiated by the Notice of Hearing dated March 8, 2013 against the Respondents (the “Proceeding”) in accordance with the terms and conditions set out below. The Respondents consent to the making of an order in the form attached as Schedule “A”, based on the facts set out below.

## **PART III – AGREED FACTS**

### **Overview**

4. This proceeding involves the unregistered trading and illegal distribution of securities by the Respondents.

5. Onix International was provincially incorporated in Ontario on February 6, 2009. During the Material Time (defined below), the registered office of Onix International was located in Ontario.

6. Phipps is a resident of Ontario. Phipps incorporated Onix International and was a director, officer, and the directing mind of Onix International at all material times.

7. Onix International was incorporated by Phipps 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”).

8. 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.

9. 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”).

10. 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.

11. 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”).

12. 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”). Some of the Onix Investors were also ENC Investors.

13. In total, the Respondents raised approximately \$668,000 from approximately 38 investors between March 2009 and December 2009 (the “Material Time”).

14. Neither Onix International nor Phipps was registered to trade in securities and the securities at issue were not qualified by a prospectus.

#### **The Distribution of the ENC and Onix Royalty Units**

15. 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.

16. 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]”.
17. The Respondents provided the ENC Investors with subscription agreements and other documents to support their investment in the ENC Royalty Units.
18. 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.
19. The funds raised by the Respondents from the ENC Investors were provided to ENC to fund its operations.
20. One month into selling the ENC Royalty Units, in April 2009, the Respondents also began selling the Onix Royalty Units.
21. 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.
22. 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.
23. 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.
24. The ENC Royalty Units and the Onix Royalty Units were “securities” as defined in section 1(1) of the Act that had not been previously issued.
25. 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.

26. Neither Onix International nor Phipps was ever registered in any capacity with the Commission.

#### **PART IV - CONDUCT CONTRARY TO THE PUBLIC INTEREST**

27. By engaging in the conduct described above, the Respondents admit and acknowledge that they contravened Ontario securities law during the Material Time in the following ways:

- (a) During the Material Time, the Respondents traded in and engaged in and held themselves out as engaging in the business of trading in securities without being registered to trade in securities, contrary to subsection 25(1) of the Act and contrary to the public interest; and
- (b) During the Material Time, the Respondents traded in securities when a preliminary prospectus and a prospectus in respect of such securities had not been filed and receipts had not been issued for them by the Director, contrary to subsection 53(1) of the Act and contrary to the public interest.

28. The Respondents admit and acknowledge that they acted contrary to the public interest by contravening Ontario securities law as set out in sub-paragraphs 27 (a) and (b) above.

#### **PART V - TERMS OF SETTLEMENT**

29. The Respondents agree to the terms of settlement listed below.

30. The Commission will make an order, pursuant to section 37 and subsection 127(1) of the Act, that:

- (a) the Settlement Agreement is approved;

- (b) pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by Onix International cease permanently from the date of the approval of the Settlement Agreement;
- (c) pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by Phipps cease for 10 years from the date of the approval of the Settlement Agreement;
- (d) pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Phipps is prohibited for 10 years from the date of the approval of the Settlement Agreement;
- (e) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Phipps for 10 years from the date of the approval of the Settlement Agreement;
- (f) pursuant to clause 6 of subsection 127(1) of the Act, Phipps is reprimanded;
- (g) pursuant to clauses 8, 8.2, and 8.4 of subsection 127(1) of the Act, Phipps is prohibited for 10 years from the date of the approval of the Settlement Agreement from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager;
- (h) pursuant to clause 8.5 of subsection 127(1) of the Act, Phipps is prohibited for 10 years from the date of the approval of the Settlement Agreement from becoming or acting as a registrant, as an investment fund manager or as a promoter; and
- (i) pursuant to clause 10 of subsection 127(1) of the Act, the Respondents shall disgorge to the Commission, on a joint and several basis, the amount of \$232,000 obtained as a result of their non-compliance with Ontario securities law. The amount of \$232,000 disgorged shall be designated for allocation to or for the

benefit of third parties or for use by the Commission for the purpose of educating investors or promoting or otherwise enhancing knowledge and information of persons regarding the operation of the securities and financial markets, in accordance with subsection 3.4(2)(b) of the Act;

- (j) pursuant to clause 9 of subsection 127(1) of the Act, Phipps shall pay an administrative penalty in the amount of \$25,000 for his failure to comply with Ontario securities law. The administrative penalty in the amount of \$25,000 shall be designated for allocation to or for the benefit of third parties or for use by the Commission for the purpose of educating investors or promoting or otherwise enhancing knowledge and information of persons regarding the operation of the securities and financial markets, in accordance with subsection 3.4(2)(b) of the Act;
- (k) pursuant to subsection 37(1) of the Act, Phipps is prohibited for 10 years, from the date of the approval of the Settlement Agreement, from telephoning from within Ontario to any residence within or outside Ontario for the purpose of trading in any security or any class of securities; and
- (l) Notwithstanding the provisions of paragraph 30 herein, once Phipps has fully satisfied the terms of sub-paragraphs (i) and (j) above, Phipps shall be permitted to trade for his own account, solely through a registered dealer or, as appropriate, a registered dealer in a foreign jurisdiction (which dealer must be given a copy of this Order) in (a) any "exchange-traded security" or "foreign exchange-traded security" within the meaning of National Instrument 21-101 provided that he does not own beneficially or exercise control or direction over more than 5 percent of the voting or equity securities of the issuer(s) of any such securities; or (b) any security issued by a mutual fund that is a reporting issuer.

31. The Respondents undertake to consent to a regulatory order made by any provincial or territorial securities regulatory authority in Canada containing any or all of the sanctions set out in sub-paragraphs 30 (b) to (h) and (k) above.

#### **PART VI - STAFF COMMITMENT**

32. If this Settlement Agreement is approved by the Commission, Staff will not initiate any other proceeding under the Act against the Respondents in relation to the facts set out in Part III herein, subject to the provisions of paragraph 33 below.

33. If this Settlement Agreement is approved by the Commission, and at any subsequent time the Respondents fail to honour the terms of the Settlement Agreement, Staff reserve the right to bring proceedings under Ontario securities law against the Respondents based on, but not limited to, the facts set out in Part III herein as well as the breach of the Settlement Agreement.

#### **PART VII - PROCEDURE FOR APPROVAL OF SETTLEMENT**

34. Approval of this Settlement Agreement will be sought at a hearing of the Commission scheduled on a date to be determined by the Secretary to the Commission, or such other date as may be agreed to by Staff and the Respondents for the scheduling of the hearing to consider the Settlement Agreement.

35. Staff and the Respondents agree that this Settlement Agreement will constitute the entirety of the agreed facts to be submitted at the settlement hearing regarding the Respondents' conduct in this matter, unless the parties agree that further facts should be submitted at the settlement hearing.

36. If this Settlement Agreement is approved by the Commission, the Respondents agree to waive all rights to a full hearing, judicial review or appeal of this matter under the Act.

37. If this Settlement Agreement is approved by the Commission, neither party will make any public statement that is inconsistent with this Settlement Agreement or inconsistent with any additional agreed facts submitted at the settlement hearing.

38. Whether or not this Settlement Agreement is approved by the Commission, the Respondents agree that they will not, in any proceeding, refer to or rely upon this Settlement Agreement or the settlement negotiations as the basis of any attack on the Commission's jurisdiction, alleged bias or appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

#### **PART VIII – DISCLOSURE OF SETTLEMENT AGREEMENT**

39. If, for any reason whatsoever, this Settlement Agreement is not approved by the Commission or the order attached as Schedule "A" is not made by the Commission:

- (a) this Settlement Agreement and its terms, including all settlement negotiations between Staff and the Respondents leading up to its presentation at the settlement hearing, shall be without prejudice to Staff and the Respondents; and
- (b) Staff and the Respondents shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing on the merits of the allegations in the Notice of Hearing and the Statement of Allegations of Staff, unaffected by the Settlement Agreement or the settlement discussions/negotiations.

40. The terms of this Settlement Agreement will be treated as confidential by all parties hereto until approved by the Commission. Any obligations of confidentiality shall terminate upon approval of this Settlement Agreement by the Commission. The terms of the Settlement Agreement will be treated as confidential forever if the Settlement Agreement is not approved for any reason whatsoever by the Commission, except with the written consent of the Respondents and Staff or as may be required by law.

**PART IX - EXECUTION OF SETTLEMENT AGREEMENT**

41. This Settlement Agreement may be signed in one or more counterparts which together will constitute a binding agreement.

42. A facsimile copy of any signature will be as effective as an original signature.

Dated this 21, day of June, 2013.

Signed in the presence of:

*“Anthony Harry”*

\_\_\_\_\_  
Witness: Anthony Harry

*“Tyrone Constantine Phipps”*

\_\_\_\_\_  
**Tyrone Constantine Phipps**

**Personally and on behalf of Onix  
International Inc.**

Dated this 21 day of June, 2013

*“Tom Atkinson”*

\_\_\_\_\_  
**STAFF OF THE ONTARIO SECURITIES COMMISSION**  
**per Tom Atkinson**  
Director, Enforcement Branch

Dated this 21 day of June, 2013

SCHEDULE "A"



Ontario  
Securities  
Commission

Commission des  
valeurs mobilières  
de l'Ontario

P.O. Box 55, 22<sup>nd</sup> Floor  
20 Queen Street West  
Toronto ON M5H 3S8

CP 55, 22e étage  
20, rue queen ouest  
Toronto ON M5H 3S8

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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**

**- AND -**

**IN THE MATTER OF A SETTLEMENT AGREEMENT BETWEEN STAFF OF THE  
ONTARIO SECURITIES COMMISSION AND ONIX INTERNATIONAL INC. AND  
TYRONE CONSTANTINE PHIPPS**

**ORDER  
(Sections 37 and 127(1))**

**WHEREAS** by Notice of Hearing dated March 8, 2013, the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing, commencing on April 3, 2013, pursuant to sections 37, 127, and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"), to consider whether it is in the public interest to make orders, as specified therein, against Onix International Inc. ("Onix International") and Tyrone Constantine Phipps ("Phipps") (collectively the "Respondents"). The Notice of Hearing was issued in connection with the allegations as set out in the Statement of Allegations of Staff of the Commission ("Staff") dated March 7, 2013;

**AND WHEREAS** the Respondents entered into a settlement agreement with Staff dated \_\_\_\_\_, 2013 (the "Settlement Agreement") in which the Respondents agreed to a proposed

settlement of the proceeding commenced by the Notice of Hearing dated March 8, 2013, subject to the approval of the Commission;

**WHEREAS** on \_\_\_\_\_, 2013, the Commission issued a Notice of Hearing pursuant to sections 37 and 127 of the Act to announce that it proposed to hold a hearing to consider whether it is in the public interest to approve the Settlement Agreement;

**AND UPON** reviewing the Settlement Agreement, the Notice of Hearing, and the Statements of Allegations of Staff, and upon hearing submissions from the Respondents and from Staff;

**AND WHEREAS** the Commission is of the opinion that it is in the public interest to make this order;

**IT IS HEREBY ORDERED THAT:**

- (a) the Settlement Agreement is approved;
- (b) pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by Onix International cease permanently from the date of this Order;
- (c) pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by Phipps cease for 10 years from the date of the approval of this Order;
- (d) pursuant to clause 2.1 of subsection 127(1) of the Act, the acquisition of any securities by Phipps is prohibited for 10 years from the date of this Order;
- (e) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to Phipps for 10 years from the date of this Order;

- (f) pursuant to clause 6 of subsection 127(1) of the Act, Phipps is reprimanded;
- (g) pursuant to clauses 8, 8.2, and 8.4 of subsection 127(1) of the Act, Phipps is prohibited for 10 years from the date of this Order from becoming or acting as a director or officer of any issuer, registrant, or investment fund manager;
- (h) pursuant to clause 8.5 of subsection 127(1) of the Act, Phipps is prohibited for 10 years from the date of this Order from becoming or acting as a registrant, as an investment fund manager or as a promoter; and
- (i) pursuant to clause 10 of subsection 127(1) of the Act, the Respondents shall disgorge to the Commission, on a joint and several basis, the amount of \$232,000 obtained as a result of their non-compliance with Ontario securities law. The amount of \$232,000 disgorged shall be designated for allocation to or for the benefit of third parties or for use by the Commission for the purpose of educating investors or promoting or otherwise enhancing knowledge and information of persons regarding the operation of the securities and financial markets, in accordance with subsection 3.4(2)(b) of the Act;
- (j) pursuant to clause 9 of subsection 127(1) of the Act, Phipps shall pay an administrative penalty in the amount of \$25,000 for his failure to comply with Ontario securities law. The administrative penalty in the amount of \$25,000 shall be designated for allocation to or for the benefit of third parties or for use by the Commission for the purpose of educating investors or promoting or otherwise enhancing knowledge and information of persons regarding the operation of the securities and financial markets, in accordance with subsection 3.4(2)(b) of the Act;
- (k) pursuant to subsection 37(1) of the Act, Phipps is prohibited for 10 years, from the date of the approval of the Settlement Agreement, from telephoning from

within Ontario to any residence within or outside Ontario for the purpose of trading in any security or any class of securities; and

- (l) Notwithstanding the provisions of this Order, once Phipps has fully satisfied the terms of sub-paragraphs (i) and (j) above, Phipps shall be permitted to trade for his own account, solely through a registered dealer or, as appropriate, a registered dealer in a foreign jurisdiction (which dealer must be given a copy of this Order) in (a) any "exchange-traded security" or "foreign exchange-traded security" within the meaning of National Instrument 21-101 provided that he does not own beneficially or exercise control or direction over more than 5 percent of the voting or equity securities of the issuer(s) of any such securities; or (b) any security issued by a mutual fund that is a reporting issuer.

**DATED** at Toronto this            day of            , 2013.

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