

UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF NEW YORK

CV-05

5852

UNITED STATES SECURITIES AND  
EXCHANGE COMMISSION,  
Plaintiff,

v.

EDWARD A. HEIL and  
RAYMOND BRET JENKINS,

Defendants.

HURLEY, J.

U.S. DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK  
BROOKLYN OFFICE  
AUG 15 2005

WALL, M.J.

COMPLAINT

Plaintiff, the United States Securities and Exchange Commission, as and for its Complaint,  
alleges:

SUMMARY

1. During 2000-2001, certain officers and others acting in concert with eSafetyworld, Inc., now known as EZ Auctions & Shipping Inc., violated the Federal securities laws by: (1) issuing a false and misleading press release that claimed eSafety had developed a product to prevent the spread of anthrax spores while opening mail; (2) making false and misleading statements in public filings with the Commission about eSafety's revenues and profits from consulting contracts, and (3) engaging in a manipulative scheme intended to create liquidity for, and increase the price of, eSafety stock.

## **JURISDICTION**

2. This Court has jurisdiction pursuant to Sections 21(d), 21(e), and 27 of the Securities and Exchange Act of 1934 [15 U.S.C. §§ 78u(d), 78u(e) and 78aa] and Title 28, United States Code § 1331. The Commission brings this action pursuant to Sections 21(d), 21(e), and of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa].

3. Venue is proper in this district, pursuant to Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa] and Title 28, United States Code § 1391(b) and (c), because substantial events or omissions giving rise to the Commission's claim occurred, and most defendants reside, in this district.

4. Defendants used the means or instruments of interstate commerce or the mails, or the facilities of a national securities exchange in connection with the acts described herein.

## **DEFENDANTS**

5. Edward A. Heil resides in Ridge, New York. Heil was the Chairman, President and Chief Executive Officer of eSafety during 2000 and 2001. Heil was responsible for setting policy and overseeing the general operations of the Company. Heil was a chief architect of eSafety's accounting policies and practices, having been a Certified Public Accountant CPA since 1973. Heil founded eSafety with Raymond Bret Jenkins in July 1997.

6. Raymond Bret Jenkins resides in South Jordan, Utah. He founded eSafety with Heil in July 1997. Jenkins became eSafety's Chief Financial Officer CFO in the fall of 1999. Among other things, Jenkins was responsible for reviewing eSafety's filings with the Commission.

## OTHER RELEVANT ENTITIES

7. ESafety is a Nevada corporation with its principal place of business during 2000 and 2001 in Bohemia, New York. During 2000 and 2001, the company sold disposable garments, industrial safety equipment, and clean room equipment. ESafety's common stock is registered with the Commission pursuant to Section 12(g) of the Exchange Act, and was listed for trading on the National Association of Securities Dealers Automated Quotation System (Nasdaq) SmallCap Market until October 22, 2001, when Nasdaq suspended trading in the company's securities. Beginning on or about December 13, 2001, eSafety stock traded over the counter in the Pink Sheets. On December 24, 2002, eSafety announced that it would discontinue its operations effective December 31, 2002. ESafety has continued to be quoted in the Pink Sheets, and on February 28, 2005, with different management, it purported to change its name to EZ Auctions & Shipping Inc. ("EZAU") and undergo a 1 for 45 reverse stock split. The management of EZAU has not included either Jenkins or Heil.

## FACTUAL ALLEGATIONS

### False and Misleading Press Release

#### *October 19<sup>th</sup> Press Release*

8. In October 2001, the United States faced a perceived terrorist threat involving deadly anthrax spores spread through the United States mail. On October 18, 2001, eSafety received an invitation to participate in a conference scheduled for the following day concerning ongoing efforts to protect against such threats. In particular, the conference was intended to address safety products for use in the event of, among other things, threats posed by biological contaminants in the mails.

9. During the evening of October 18, 2001, Heil drafted a press release announcing a proposed new product. The press release, dated October 19, 2001, stated:

eSafetyworld Announces New Product to Combat Anthrax Terror ...

eSafetyworld, Inc. ... today announced that it has developed a revolutionary product that will make opening mail safer by preventing the spread of anthrax spores or other contaminants into the air after an envelope or package has been opened. With proper use a person opening a contaminated envelope will also be protected. This new product, which will be simple to use, will be priced for use in commercial mailrooms and the home. The product will be available for sale in approximately two weeks and will probably sell for less than \$500.

10. The October 19<sup>th</sup> press release claimed the product would "make opening the mail safer by preventing the spread of anthrax spores or other contaminants," even though eSafety had no prototype for the product and had conducted nothing but paper calculations on its feasibility. Although the press release described the product as revolutionary, Heil did not know whether there were other similar devices on the market. The press release also indicated that the product would "probably sell for less than \$500." However, when Heil wrote the press release, he did not know exactly what it would cost to produce the device, or what eSafety would charge for the product.

11. Although eSafety had no such product at the time, the COO attempted to develop the product described in the October 19<sup>th</sup> press release. Heil and the COO had not discussed such a product before October 18, 2001. During the evening of October 18, 2001, the COO approached the President of Clean Room Engineering, a manufacturer with offices next to eSafety, about producing a simple "glove box" device. This was the COO's first contact with Clean Room regarding such a product. On October 19, 2001, Clean Room signed a confidentiality agreement with eSafety regarding the glove box device.

12. On October 19<sup>th</sup>, immediately after eSafety issued its press release, the Company's stock price increased dramatically, closing the day at \$3.18 per share, or 413% above the previous day's close of 62 cents (\$0.62) per share. Trading volume for the same period increased 57,085%, from 11,500 shares to more than 6.5 million shares. On October 22, 2001, in

response to the press release and the effects it had on eSafety's stock price, Nasdaq suspended trading in eSafety stock and requested a meeting with the company.

**False and Misleading Filings with the SEC**

*ESafety's "Consulting Business"*

13. In September 2000, eSafety announced that it would provide "consulting services" to start-up companies, a new line of business for eSafety. During its fiscal year 2001 (July 1, 2000 – June 30, 2001) eSafety recognized as revenue certain start-up company stock that eSafety purportedly would receive as payment for consulting services. Most of eSafety's consulting clients were corporations without revenues, assets, employees or operations, and several eSafety officers, directors and other personnel were also officers and directors of eSafety consulting clients. In many instances, eSafety never received the shares it claimed as revenue. When the Company recognized such stock as revenue Heil valued the shares at 25 cents (\$0.25) each without any reasonable basis for such a value.

14. According to its filings, eSafety had a total of twelve (12) consulting clients in fiscal year 2001. Ten (10) never conducted any business operations, two (2) were never formally organized, and some had common ownership or management with eSafety or family members of eSafety management.

15. ESafety's revenue recognition policy for consulting services, devised by Heil with the concurrence of Jenkins, assumed: (1) eSafety would be compensated with consulting clients' common stock; (2) eSafety would value that stock at 25 cents (\$0.25) per share; and (3) eSafety would recognize revenue corresponding to the percentage of work on the consulting project that eSafety had completed.

16. Heil valued the shares at 25 cents (\$0.25) each because eSafety's consulting clients "had no real balance sheets and were just working on an idea," and that "any company with a reasonable idea would be valued at 25 cents" per share. Heil did not perform any further analysis of the shares' value. Moreover, eSafety did not maintain any documents to support its valuation of the consulting shares.

17. ESafety's recognition of revenue from its purported consulting business did not comply with generally accepted accounting principles ("GAAP") for a number of reasons that Heil and Jenkins knew, or were reckless in not knowing. ESafety should have determined the fair value of the consulting shares by referring to estimated realizable values in cash transactions of the same or similar assets, quoted market prices, independent appraisals, estimated fair values of assets or services received in exchange, or other available evidence. Fair value is not determinable where major uncertainties exist about realizing the asset. *See Accounting Principles Board Opinion No. 29, Accounting for Nonmonetary Transactions.* Similarly, GAAP prescribes that revenues should not be recognized until realizable and earned. *See Concept Statement No. 5, Recognition and Measurement in Financial Statements of Business Enterprises* at ¶ 83.a ("Revenues and gains are realizable when related assets received or held are readily convertible to known amounts of cash").

18. ESafety never received the majority of the shares it claimed as revenue. ESafety's future receipt of shares was highly speculative because most of eSafety's clients were corporations without revenues, assets, employees or operations. Although some of the companies filed registration statements with the Commission in an attempt to register their stock, many of those companies subsequently withdrew those registration statements.

19. ESafety and Heil did not reasonably determine fair values for the stock of the consulting clients, and the 25 cent (\$0.25) per share valuation was unreasonable. Further, there was no basis to believe that the shares, if ever received, could be readily convertible to any known amount of cash, also preventing revenue recognition in compliance with GAAP.

20. For example, eSafety and Heil did not reasonably value the shares of Sunrise Computer. Jenkins was a principal of Sunrise Computer, which was never more than a concept, never existed as a legal entity, did no business, and was abandoned before it was ever legally organized. The value of Sunrise Computer stock was therefore of speculatively little or no value. Nevertheless, eSafety recognized \$75,000 of revenue in the second quarter of fiscal year 2001 for Sunrise Computer stock it purportedly was to receive.

21. In another instance, eSafety and Heil did not reasonably value the shares of AMP Productions. Jenkins, Heil and Heil's daughter (a director of eSafety, as well as its Chief Administrative Officer) were board members of AMP; Jenkins was President and Secretary; and Heil's daughter was Vice President. AMP had no revenues, virtually no assets, and never commenced operations. Nevertheless, eSafety recognized \$150,000 in revenues in the third quarter of fiscal year 2001 for AMP stock it purportedly was to receive.

22. The percentages of completion that eSafety, Heil and Jenkins ascribed to certain consulting contracts for revenue recognition were without any basis in fact.

23. Underlying these transactions, Heil and Jenkins knew, or were reckless in not

knowing, that the consulting revenues that eSafety recognized were improper because they failed to comply with accepted revenue recognition policies and the majority of such transactions lacked substance. Heil and Jenkins knew that many of the companies had no revenues, assets, employees or operations and were related parties.

*Over 69% of eSafety's Total Revenues for Fiscal Year 2001 Consisted of Unrealized and Unsupported Consulting Revenue*

24. During the first three quarters of its fiscal year 2001, eSafety reported total revenues of \$249,420; \$236,619; and \$374,152, respectively. More than 60% of eSafety's total revenue for those periods related to eSafety's unrealized and unsupported consulting revenues.

25. During the fourth quarter of fiscal year 2001, eSafety recognized total revenues of \$404,784. More than 80% of eSafety's total revenue for that period related to eSafety's unrealized and unsupported consulting revenue.

26. For fiscal year 2001, eSafety recognized in its books total revenues of \$1,264,975. More than 69% of eSafety's total revenue for fiscal year 2001 related to eSafety's unrealized and unsupported consulting revenue.

27. ESafety reported the following total revenues in its Forms 10-QSB (quarterly filings with the Commission) and Form NT 10-KSB (notification of late filing of annual report); the consulting revenues listed were included in total revenues but not separately disclosed in eSafety's public filings:

Period	Total Revenues	Consulting Revenues	Consulting Revenues as Percentage of Total Revenues
1st Quarter 2001	\$249,420	\$150,000	60.1%
2nd Quarter 2001	\$236,619	\$150,000	63.4%
3rd Quarter 2001	\$374,152	\$240,000	64.1%
4th Quarter 2001	\$404,784	\$340,000	84.0%
Total Year-End	\$1,264,975	\$880,000	69.6%

28. The inclusion of eSafety's unrealized and unsupported consulting revenue in its



quarterly and annual filings was material to the financial statements.

29. At the end of each quarter in eSafety's fiscal year 2001, Heil and Jenkins signed and/or authorized the issuance of management representation letters to eSafety's outside auditors that falsely stated, "[t]he financial statement[s] ... present the financial position, results of operations, and cash flows of eSafetyWorld, Inc. in conformity with generally accepted accounting principles." Heil and Jenkins reviewed and approved the figures reported in eSafety's financial statements.

*ESafety Reported False and Misleading Consulting Revenues  
in its 2001 Form 12b-25/NT 10-KSB*

30. On September 28, 2001, eSafety filed a Form 12b-25, also known as a Form NT 10-KSB. A Form NT 10-KSB is a notification that a small business company is unable to file timely its annual report.

31. ESafety made false statements in that its Form NT 10-KSB:

The Registrant has not been able to complete the audited financial statements and other narrative information necessary to enable it to complete the Registrants' Annual Report on Form 10-KSB by September 28, 2001, the required filing date, without unreasonable effort and expense. The Registrants' auditor is located in Manhattan and their activity was disrupted by the recent tragedy.

*... The Registrant anticipates reporting revenues of approximately \$1,260,000 and pretax income of continuing operations of approximately \$310,000 for the year ended June 30, 2001, compared to revenues of approximately \$720,000 and pretax income from continuing operations of approximately \$39,000 for the year ended June 30, 2000. The Registrant is still in discussion [sic] with its auditor regarding estimates relating to discontinued operations and certain intangibles.*

(emphasis added.)

32. Heil knew that consulting revenue from eSafety's clients comprised a material percentage of the revenues disclosed in the Form NT 10-KSB. He further knew, or was reckless in not knowing, that the recognition and valuation of the shares was not in compliance with GAAP. Jenkins substantially assisted in the drafting of the Form NT 10-KSB and was extremely

reckless as to whether its statements about revenues were true or false. Those revenues were included in the Form NT 10-KSB.

33. ESafety's Form NT 10-KSB was also false and misleading in stating that the "[r]egistrant is still in discussion[s] with its auditor regarding estimates relating to discontinued operations and certain intangibles." ESafety and Heil knew that the auditors' primary concern was eSafety's recognition of consulting revenues and the auditors' inability to conclude that eSafety had complied with GAAP in recognizing consulting revenues. At the time of the filing, eSafety's auditors had already resolved issues regarding "discontinued operations" with eSafety.

34. On the Form NT 10-KSB, eSafety reported revenues of "approximately \$1,260,000," and an increase of approximately \$270,000 in pretax income from fiscal year 2000. eSafety listed the bulk of these revenues as stemming from "consulting revenues" it had recognized during the first, second and third quarters of fiscal year 2001.

*ESafety's 2001 Form 10-KSB Was False and Misleading*

35. In October 2001, eSafety's auditors informed Heil that they did not agree with his conclusion that shares received from eSafety's consulting clients should be valued at 25 cents (\$0.25) per share. The auditors had also determined that they would not support eSafety's recognition of any consulting revenues as income.

36. Heil told the auditors that he disputed their conclusions. As a result, on October 16, 2001, the auditors sent a letter to Heil stating that they were resigning because of "significant differences regarding certain accounting matters." After Heil received the auditors' resignation letter, he agreed to adjust eSafety's fiscal 2001 financial statements and reverse all \$880,000 of its consulting revenues. Upon eSafety's reversal of the disputed consulting revenues, the auditors withdrew their resignation letter and issued an unqualified audit report.

*ESafety's Failure to Restate Prior Quarters Contradicted GAAP*

37. On October 29, 2001, eSafety filed its annual report for fiscal year 2001 on Form 10-KSB, in which it reversed all consulting revenues from its annual financial statements. ESafety had earlier reported these same disputed consulting revenues in its first through third quarter 2001 reports. Those quarterly reports did not comply with GAAP for the same reasons that the auditors insisted eSafety reverse the consulting revenues at year end – the shares were not subject to reasonable fair valuation, the valuations were not realizable, and the transactions lacked substance because they were based on agreements with non-operating or non-existent companies (many of which were related parties) for services not rendered. ESafety, Heil and Jenkins knew these facts during the quarters. GAAP requires the restatement of prior period financial statements when errors are discovered. Accounting Principles Board Opinion No. 20, *Accounting Errors*, and AU §722.34. ESafety never restated consulting revenue from the first through third quarters of fiscal year 2001. ESafety and Heil knew, or were reckless in not knowing, that GAAP required eSafety to restate its first through third quarter reports.

*ESafety's Improper Deferral of Costs*

38. When it reversed its consulting revenues, eSafety also improperly reversed and deferred certain costs supposedly related to consulting services. ESafety incurred consulting costs associated with compensation paid to eSafety's officers, including general administrative services performed for the general management of the company. In compliance with GAAP, eSafety originally treated such consulting costs as period costs and expensed them as incurred during eSafety's fiscal year. At the end of the fiscal year, in its Form 10-KSB eSafety reversed and deferred consulting costs of approximately \$373,000. Of that amount, at least \$152,000 were general and administrative expenses. These costs should not have been reversed, but rather should have remained as period expenses when incurred during fiscal 2001. As a result of this

failure to comply with GAAP, eSafety understated its net loss in its Form 10-KSB for fiscal year 2001 by at least \$152,000.

39. Heil knew, or was reckless in not knowing, that these costs should not have been deferred because he calculated the deferred costs adjustment and the deferred costs clearly included administrative expenses incurred by the management of eSafety.

*Failure to Maintain Manually Signed Copies of Filings Violated Regulation S-T*

40. On September 28, 2001, eSafety filed its electronic Form NT 10-KSB, the signature line of which showed Jenkins as a signatory. eSafety did not maintain a manually signed copy of the signature page or other document authenticating, acknowledging, or otherwise adopting the signature.

41. Similarly, the signature lines on eSafety's electronic Form 10-KSB for fiscal year ended June 30, 2001, showed Heil and Jenkins as signatories but eSafety did not maintain a manually signed copy of the signature page or other document authenticating, acknowledging, or otherwise adopting the signature.

42. According to Regulation S-T, 17 C.F.R. § 232.302, "each signatory to an electronic filing shall manually sign a signature page or other document authenticating, acknowledging or otherwise adopting his or her signature that appears in typed form within [the company's] electronic filing" with the Commission. The document is to be retained by the company for 5 years.

### Market Manipulation

43. During the period from January 2001 through June 2001, eSafety and Heil engaged in scheme to manipulate the price of eSafety's stock.

44. In or about March 2001, Heil formed and became President of Harbor Ridge Communications, Inc. Harbor Ridge was supposedly formed to conduct investor relations work. In fact, Harbor Ridge was a telephone operation used to promote eSafety stock and the stock of other companies.

45. From at least January 2001 through June 2001, Heil had an understanding with a stock promoter, who also managed the operations of Harbor Ridge whereby eSafety transferred funds to an entity controlled by the stock promoter and Harbor Ridge in order for the stock promoter to purchase and sell eSafety shares in the open market. The buys and sells were effected to create liquidity for, and increase the price of, eSafety stock – in particular, to keep the price of eSafety stock above \$1 per share.

46. As a part of this scheme, Heil telephoned the stock promoter and instructed him to buy eSafety shares from the open market. eSafety later reimbursed the stock promoter for his purchases, and the promoter traded in eSafety stock on Heil's instructions. When the promoter traded he accounted for substantial percentages of the daily trading volume in eSafety stock.

47. Between January 2001 and June 2001, eSafety transferred a total of at least \$473,288 to an entity controlled by the stock promoter and/or Harbor Ridge to purchase eSafety stock and fund Harbor Ridge's operations. To account for the transfers, Heil and the stock promoter executed several documents showing that the funds were loans to Harbor Ridge. Heil signed a purported loan agreement in connection with the filing of eSafety's quarterly report ended March 31, 2001. Harbor Ridge never actually received a loan from eSafety and eSafety did not expect repayment to eSafety of the cash advances. The cash advances were used in

Harbor Ridge's stock promotion activities, including the manipulation of eSafety stock.

48. During the audit for fiscal year end June 2001, Heil provided eSafety's auditors with an audit confirmation from Harbor Ridge indicating, among other things, that eSafety had made a loan of approximately \$473,288 to Harbor Ridge and that the loan was convertible to a 50% equity stake in Harbor Ridge. Heil knew that the cash that eSafety transferred to the entity controlled by the stock promoter and Harbor Ridge was not a loan, and that those entities did not intend to repay it.

49. In its Form 10-KSB filing for the period ended June 30, 2001, eSafety falsely represented that it had "invested \$473,288 [in] loans to Harbor Ridge, a privately-held public relations firm specializing in services to emerging public companies." ESafety wrote off this "loan" in fiscal year ended June 30, 2002. Based on the intended purpose of the cash advances and the uncollectible nature of such amounts, eSafety should have treated the cash advances of approximately \$473,000 as expenses rather than as an asset. By treating the monies as an asset, eSafety understated its net loss for fiscal 2001 by an additional 132%, assuming a 32% tax rate.

50. In addition, in its Form 10-KSB filing for the period ended June 30, 2001, eSafety did not disclose that Harbor Ridge was a related party entity.

**COUNT I**

**(Violations, and Aiding and Abetting Violations, of the  
Antifraud Provisions of the Exchange Act)**

**(Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and  
Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder)  
(Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)]  
(Defendants Heil and Jenkins))**

51. The Commission re-alleges and incorporates by reference the allegations contained in Paragraphs 1 through 50 above.

52. eSafety and Heil each knowingly, directly and indirectly, by use of the means and instrumentalities of interstate commerce or the mails or the facilities of a national securities exchange, in connection with the purchase and sale of securities, employed devices, schemes or artifices to defraud; made untrue statements of material facts or omissions to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or engaged in acts, practices or courses of business which operated or would operate as a fraud or deceit upon any person.

53. Section 20(e) of the Exchange Act provides that any person who knowingly provides substantial assistance to another person in violation of a provision of the Exchange Act, or of any rule or regulation issued under the Exchange Act, shall be deemed to be in violation of such provision to the same extent as the person to whom such assistance is provided.

54. By reason of the conduct described above, Heil and Jenkins knowingly provided substantial assistance to eSafety in its violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. Jenkins also knowingly provided substantial assistance to Heil in his violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

55. By reason of the conduct described above, Heil violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, Jenkins aided and abetted those violations, and Heil

aided and abetted eSafety's violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

**COUNT II**

**(Violations, and Aiding and Abetting Violations, of the  
Financial Reporting Provisions of the Exchange Act)**

**(Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 12b-25,  
13a-1 and 13a-13 [17 C.F.R. §§ 240.12b-20, 240.12b-25, 240.13a-1 and 240.13a-13])  
(Section 20(e) of the Exchange Act [15 U.S.C. §78t(e)]  
(Defendants Heil and Jenkins)**

56. The Commission re-alleges and incorporates by reference the allegations contained in Paragraphs 1 through 50 above.

57. ESafety filed with the Commission: (1) a materially false and misleading Form NT-10 KSB for fiscal year 2001; (2) a materially false annual report on Form 10-KSB for fiscal year 2001; and (3) materially false and misleading quarterly reports on Forms 10-QSB for the quarters ending September 30, 2000; December 31, 2000; and March 31, 2001.

58. Section 20(e) of the Exchange Act provides that any person who knowingly provides substantial assistance to another person in violation of a provision of the Exchange Act, or of any rule or regulation issued under the Exchange Act, shall be deemed to be in violation of such provision to the same extent as the person to whom such assistance is provided.

59. By reason of the conduct described above, Heil and Jenkins knowingly provided substantial assistance to defendant eSafety in its filing with the Commission of: (1) a materially false and misleading Form NT-10 KSB for fiscal year 2001; (2) a materially false annual report on Form 10-KSB for fiscal year 2001; and (3) materially false and misleading quarterly reports on Forms 10-QSB for the quarters ending September 30, 2000; December 31, 2000; and March 31, 2001.



60. By reason of the foregoing, Heil and Jenkins aided and abetted eSafety's violations of Section 13(a) of the Exchange Act, and Rules 12b-20, 12b-25, 13a-1 and 13a-13.

**COUNT III**

**(Violations, and Aiding and Abetting Violations, of  
Internal Controls and Books and Records Provisions of the Exchange Act)**

**(Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and  
78m(b)(2)(B)] and Rule 13b2-1 [17 C.F.R. §§ 240.13b2-1])  
(Section 20(e) of the Exchange Act [15 U.S.C. §78t(e)]  
(Defendants Heil and Jenkins))**

61. The Commission re-alleges and incorporates by reference the allegations contained in Paragraphs 1 through 50 above.

62. ESafety failed to make and keep books, records and accounts which accurately and fairly reflected its transactions and dispositions of its assets.

63. ESafety failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that: (i) its transactions were executed in accordance with management's authorization; (ii) transactions were recorded as necessary to permit preparation of financial statements in conformity with GAAP and maintain accountability for assets; (iii) access to assets was permitted only in accordance with management's authorization; and (iv) recorded accountability for assets was compared with the existing assets at reasonable intervals and appropriate action was taken with respect to any differences.

64. Section 20(e) of the Exchange Act provides that any person who knowingly provides substantial assistance to another person in violation of a provision of the Exchange Act, or of any rule or regulation issued under the Exchange Act, shall be deemed to be in violation of such provision to the same extent as the person to whom such assistance is provided.

65. By reason of the conduct described above, Heil, and Jenkins knowingly provided substantial assistance to eSafety in its failures to make and keep books, records and accounts

which accurately and fairly reflected its transactions and dispositions of its assets; and in eSafety's failure to devise and maintain a system of internal accounting controls sufficient to provide the reasonable assurances.

66. By reason of the foregoing, Heil and Jenkins aided and abetted eSafety's violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rule 13b2-1 thereunder.

**COUNT IV**

**(Further Violations of the Internal Control Provisions of the Exchange Act)  
(Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)])  
(Defendants Heil and Jenkins)**

67. The Commission re-alleges and incorporates by reference the allegations contained in Paragraphs 1 through 50 above.

68. Heil and Jenkins knowingly circumvented or knowingly failed to implement a system of internal accounting controls or knowingly falsified a book, record, or account described above.

69. By reason of the foregoing, Heil and Jenkins violated Section 13(b)(5) of the Exchange Act.

COUNT V

**(Violations, and Aiding and Abetting Violations, of the  
Representations to Auditors Rule)  
(Exchange Act Rule 13b2-2 [17 C.F.R. § 240.13b2-2])  
(Section 20(e) of the Exchange Act [15 U.S.C. §78t(e)])  
(Defendants Heil and Jenkins)**

70. The Commission re-alleges and incorporates by reference the allegations contained in Paragraphs 1 through 50 above

71. Heil, directly or indirectly, made or caused to be made a materially false and misleading statement; or omitted to state, or caused another person to omit to state, a material fact necessary in order to make statements made, in light of the circumstances under which such statements were made, not misleading to eSafety's accountant in connection with audits or examinations of eSafety's required financial statements, or in connection with the preparation or filing of any document or report required to be filed with the Commission.

72. Section 20(e) of the Exchange Act provides that any person who knowingly provides substantial assistance to another person in violation of a provision of the Exchange Act, or of any rule or regulation issued under the Exchange Act, shall be deemed to be in violation of such provision to the same extent as the person to whom such assistance is provided.

73. By reason of the conduct described above, Jenkins knowingly provided substantial assistance to Heil in making or causing to be made a materially false and misleading statement; or omitting to state, or causing another person to omit to state, a material fact necessary in order to make statements made, in light of the circumstances under which such statements were made, not misleading to eSafety's accountant in connection with audits or examinations of eSafety's required financial statements, or in connection with the preparation or filing of any document or report required to be filed with the Commission.

74. By reason of the foregoing, Heil violated, and Jenkins aided and abetted Heil's violations of, Exchange Act Rule 13b2-2.

**COUNT VI**

**(Violations, and Aiding and Abetting Violations, of the  
Electronic Filing Rules and Regulations)  
(Regulation S-T, 17 C.F.R. § 232.302)  
(Section 20(e) of the Exchange Act [15 U.S.C. §78t(e)]  
(Defendants Heil and Jenkins)**

75. The Commission re-alleges and incorporates by reference the allegations contained in Paragraphs 1 through 50 above.

76. eSafety did not retain manually signed signature pages or other documents authenticating, acknowledging or otherwise adopting signatures that appeared in typed form within eSafety's electronic filings with the SEC for 5 years.

77. Section 20(e) of the Exchange Act provides that any person who knowingly provides substantial assistance to another person in violation of a provision of the Exchange Act, or of any rule or regulation issued under the Exchange Act, shall be deemed to be in violation of such provision to the same extent as the person to whom such assistance is provided.

78. By reason of the conduct described above, Heil and Jenkins knowingly provided substantial assistance to eSafety in failing to retain manually signed signature pages or other documents authenticating, acknowledging or otherwise adopting signatures that appeared in typed form within eSafety's electronic filings with the SEC for 5 years.

79. By reason of the foregoing, Heil and Jenkins aided and abetted eSafety's violations of Regulation S-T, 17 C.F.R. §232.302.

**PRAYER FOR RELIEF**

Wherefore, the Commission respectfully requests that this Court:

(A) Enjoin Heil from violating Sections 10(b) and 13(b)(5) of the Exchange Act, and Rules 10b-5, 13b2-1, and 13b2-2 thereunder; from aiding and abetting violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 13a-1, 13a-13, 12b-20, and 12b-25 thereunder; and from aiding and abetting eSafety's violations of Section 232.302 of Regulation S-T;

(B) Enjoin Jenkins from violating Section 13(b)(5) of the Exchange Act, and from aiding and abetting violations of Sections 10(b), 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act, and Rules 10b-5, 13a-1, 13a-13, 12b-20, 12b-25, 13b2-1 and 13b2-2 thereunder; and Section 232.302 of Regulation S-T;

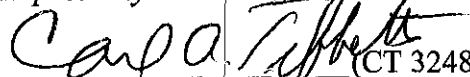
(C) Order Heil and Jenkins each to pay a civil money penalty pursuant to Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d);

(D) Order that Heil and Jenkins each be barred from serving as officers and directors of any public company under Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d); and

(E) Grant all further legal or equitable relief that the Court deems appropriate.

Dated: December 15, 2005

Respectfully submitted,

  
(CT 3248)

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