

**STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING  
Whether there has been a violation of the  
Securities Act of Washington by:

International Trading & Manufacturing  
Corporation, The Martin Consulting Group, Inc.,  
Martin H. Engelman, their employees and agents,

Respondents.

SDO - 60A - 99

SUMMARY ORDER TO CEASE AND DESIST

Case No. 99-08-0266

THE STATE OF WASHINGTON TO:

International Trading & Manufacturing Corp.  
11250 El Camino Real, Suite #100  
San Diego, CA 92130

The Martin Consulting Group, Inc.  
Martin H. Engelman  
Box 7176  
Rancho Santa Fe, CA 92067

**STATEMENT OF CHARGES**

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents have violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 to cease and desist from such violations. The Securities Administrator finds that delay in ordering the Respondents to cease and desist from such violations would be hazardous to investors and to the public and that a Summary Order to Cease and Desist should be entered immediately. The Securities Administrator finds as follows:

**TENTATIVE FINDINGS OF FACT**

**I. RESPONDENTS**

International Trading & Manufacturing Corporation ("also sometimes referred to as "International Trading") is a Nevada corporation that has a principal business address of 11250 El Camino Real, Suite #100, San Diego, California. International Trading currently (1) designs, develops and distributes the

"Baby Genius™" product line of music, books, and other related items promoting early childhood development, and (2) distributes jewelry, watches, and other collectibles under its "Sanuk" brand name. The Martin Consulting Group, Inc. is an entity that has a principal business address of Box 7176, Rancho Santa Fe, California. Martin H. Engelman ("Engelman") is the President of The Martin Consulting Group, Inc.

## II. NATURE OF OFFERING

On at least August 13, 1999, a representative or representatives of International Trading & Manufacturing Corporation participated in a trade show named the Third Annual Seattle Money Show ("Money Show") held in Seattle, Washington. The Money Show is a commercial venture that provides a forum for interaction between the public and business and commercial vendors. The Money Show is marketed to the general public through advertising placed on the Internet and through signage placed in public areas surrounding the Show's location. Securities Division staff members attending the Money Show and posing as prospective investors visited the International Trading booth. Representatives working for or on behalf of International Trading were distributing promotional materials relating to the "Baby Genius™" product line. One staff member attending the Money Show expressed an interest in receiving further information about an investment in the company, and was provided at that time with a copy of a "Confidential Private Placement Memorandum" dated July 10, 1999 (sometimes referred to as the "Memorandum") for the company.

Another staff member attending the Money Show and also posing as a prospective Washington investor completed an information card in order to receive further information about the company. On August 23, 1999, Respondent International Trading sent or caused to be sent to that Washington person by United Parcel Service delivery service another copy of the Memorandum dated July 10, 1999, for the company.

The July 10, 1999, Memorandum for International Trading provided to both Securities Division staff members posing as prospective investors contained a legend "Accredited Investors Only," related to

an offering of as many as 750,000 shares of common stock of International Trading being sold at \$2.25 per share for an aggregate offering amount of \$1,687,500. Although the Memorandum contained risk factor disclosure regarding significant discretion of management concerning the application of the offering proceeds, the use of proceeds section indicated that after payment of commissions and other offering expenses totaling \$337,500, the remaining net proceeds of the offering (\$1,350,000) will be used for "general purposes, including the possible acquisition of assets or businesses complementary to the operations of the Company." The Memorandum contained no financial statements for the company.

Also on August 23, 1999, the same date the Memorandum was sent to the staff member posing as a prospective investor who filled out an information card, Martin H. Engelman ("Engelman") of The Martin Consulting Group, Inc. sent or caused to be sent a letter dated August 22, 1999, along with a promotional flyer about the "Baby Genius™" product line, to the Washington address given by that Securities Division staff member. The letter stated that the staff member should have received the "Confidential Private Placement Memorandum" and other materials directly from International Trading, but encouraged the reader of the letter to call him to allow him to "show you how this opportunity can fit into your long term investment strategy" and to "share some additional information and explain the enormous profit potential by owning part of INTERNATIONAL TRADING AND MANUFACTURING CORP..."

On September 2, 1999, an investigator with the Securities Division posing as a prospective investor from the state of Washington (sometimes referred to as the "caller") responded to Engelman's August 23, 1999 letter by calling the telephone number given in the letter. Engelman initially discussed his background in the military service and that he had been employed with a securities brokerage firm approximately five years ago. He then asked the caller whether he had read the Confidential Private Placement Memorandum sent out by International Trading. The investigator responded that he had. Among other representations made during the call, Engelman said that after a Money Show held in Las Vegas there was an indication that the price could go up to \$6.00 per share. He did have or disclose the

basis for this price prediction. Engelman further stated that he could acquire shares for the caller at \$1.45 per share because he was an "independent consultant" compensated in commissions and stock of the issuer who could get shares from the issuer. Engelman also assured that caller that the share price could be less than the price quoted in the Memorandum because "the price is open-ended, it could be mini or maxi priced." Finally, the caller asked Engelman about his employment with a brokerage firm, specifically whether he had had any problems or troubles with any regulatory agencies. Engelman responded "none." Engelman failed to disclose (1) that he is the subject of an Order of Prohibition and Revocation (File No. S-97187 EX) issued by the Wisconsin Department of Financial Institutions, Division of Securities, dated July 16, 1998, for violations of Wisconsin securities registration and antifraud provisions, and (2) that on May 25, 1995, the United States Securities and Exchange Commission (Administrative Proceeding File No. 3-7719) sustained the order of an administrative law judge barring him and others from association with any broker or dealer and ordering them to cease and desist from violating the antifraud provisions of the federal securities laws.

### III. REGISTRATION STATUS

International Trading & Marketing Corporation is not currently registered to offer or sell securities in the state of Washington, has not previously been so registered, and no notification filing of claim of exemption for offers or sales is on file with the Administrator of Securities. The Martin Consulting Group, Inc. is not currently registered as a securities broker-dealer or salesperson in the state of Washington and has not previously been so registered. Martin H. Engelman is not currently and has not previously been registered as a securities broker-dealer in the state of Washington, and has not been registered as a securities salesperson in the state of Washington since December 3, 1993.

Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

### CONCLUSIONS OF LAW

#### I.

The offer and/or sale of shares of common stock of International Trading & Manufacturing, Inc. as described in the above Tentative Findings of Fact constitutes the offer and/or sale of a security as defined in RCW 21.20.005(10) and (12), provisions of the definitional section of the Securities Act of Washington.

## II.

The offer and/or sale of said securities as described in the above Tentative Findings of Fact was made in violation of RCW 21.20.140, the securities registration requirement provision of the Securities Act of Washington, because no registration or notification of claim of exemption for such offer and/or sale is on file with the Securities Division of the state of Washington and it appears that Respondent International Trading & Manufacturing, Inc. does not otherwise qualify for an exemption from registration.

## III.

The offer and/or sale of said securities by Respondents The Martin Consulting Group, Inc. and Martin H. Engelman, as representatives for or on behalf of International Trading & Manufacturing, Inc. as described in the above Tentative Findings of Fact, was made in violation of RCW 21.20.040, the securities broker-dealer and salesperson registration requirement provision of the Securities Act of Washington and it appears that Respondents The Martin Consulting Group, Inc. and Martin H. Engelman do not otherwise qualify for an exemption from such registration.

## IV.

The offer and/or sale of said securities by Respondents International Trading & Manufacturing Corporation, The Martin Consulting Group, Inc., and Martin H. Engelman as described in the above Tentative Findings of Fact, was made in violation of RCW 21.20.010, the antifraud provision of the Securities Act of Washington, because they (1) failed to provide prospective Washington investors with a disclosure document containing complete material information about the issuer, including but not limited to, a financial statement for the issuer, and (2) because the disclosure document provided failed to

adequately explain the proposed use of offering proceeds when it indicated that the bulk of the offering proceeds will be used for "general purposes, including the possible acquisition of assets or businesses complementary to the operations of the Company."

#### V.

The offer and/or sale of said securities by Respondents The Martin Consulting Group, Inc. and Martin H. Engelman, as representatives for or on behalf of International Trading & Manufacturing, Inc. as described in the above Tentative Findings of Fact, was made in violation of RCW 21.20.010, the antifraud provision of the Securities Act of Washington. This is because Respondents The Martin Consulting Group, Inc. and Martin H. Engelman (1) predicted that shares of International Trading could go up to \$6.00 per share without having or disclosing a reasonable basis to make such a prediction, and (2) failed to disclose the existence and substance of the Wisconsin and Securities and Exchange Commission orders entered against him when he was asked whether he had had any problems with any regulatory agencies by the Securities Division investigator posing as a prospective Washington investor during the September 2, 1999, telephone call discussed above.

#### EMERGENCY

The Securities Administrator finds that an emergency exists because Respondents are currently offering said securities to residents of the state of Washington. The Securities Administrator finds that this action is necessary and appropriate in the public interest and for the protection of investors and that the public safety and welfare require emergency action.

#### SUMMARY ORDER

Based on the premises of the foregoing,

IT IS THEREFORE HEREBY SUMMARILY ORDERED That Respondents International Trading & Manufacturing Corporation, The Martin Consulting Group, Inc., Martin H. Engelman, their

employees and agents, each cease and desist from violations of RCW 21.20.140, the securities registration requirement provision of the Securities Act of Washington.

IT IS THEREFORE HEREBY SUMMARILY ORDERED That Respondents International Trading & Manufacturing Corporation, The Martin Consulting Group, Inc., Martin H. Engelman, their employees and agents, each cease and desist from violations of RCW 21.20.040, the securities broker-dealer and salesperson registration requirement provision of the Securities Act of Washington.

IT IS THEREFORE HEREBY SUMMARILY ORDERED That Respondents International Trading & Manufacturing Corporation, The Martin Consulting Group, Inc., Martin H. Engelman, their employees and agents, each cease and desist from violations of RCW 21.20.010, the antifraud provision of the Securities Act of Washington.

#### AUTHORITY AND PROCEDURE

This Summary Order is entered pursuant to the provisions of RCW 21.20.390 and chapter 34.05 RCW. The Respondents may each make a written request for hearing as set forth in the Notice of Opportunity to Defend and Opportunity for Hearing accompanying this order. A request for a hearing should be in writing and sent to Deborah R. Bortner, Securities Administrator, Department of Financial Institutions, P.O. Box 9033, Olympia, Washington 98507-9033 to the attention of Brad Ferber. If a Respondent does not request a hearing as set forth in the Notice of Opportunity to Defend and Opportunity for Hearing, the Securities Administrator intends to adopt the Tentative Findings of Fact and Conclusions of Law as final and make this Summary Order to Cease and Desist permanent as to such Respondent.

WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

Dated this 23rd day of September, 1999.

Deborah R. Bortner  
Securities Administrator

Presented by: \_\_\_\_\_  
Brad Ferber  
Securities Examiner

Approved by: \_\_\_\_\_  
Michael E. Stevenson  
Chief of Compliance