

**ADMINISTRATIVE PROCEEDING
BEFORE THE
SECURITIES COMMISSIONER OF MARYLAND**

IN THE MATTER OF:

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New Image, LLC, et al.

Securities Docket No. 2009-0259

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Respondents *

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**FINAL ORDER
AS TO
NEW IMAGE, LLC**

WHEREAS, the Securities Division of the Office of the Maryland Attorney General (the “Division”), pursuant to the authority granted in section 11-701 of the Maryland Securities Act, Corporations and Associations Article, Title 11, Annotated Code of Maryland (2007 Repl. Vol. and 2009 Supp.) (the “Securities Act”), undertook an investigation into the securities activities of New Image, LLC (“New Image” or “Respondent”); and

WHEREAS, on the basis of that investigation the Maryland Securities Commissioner (the “Commissioner”), on March 18, 2010, issued an Order to Show Cause (the “Order”), which is incorporated by reference, ordering each Respondent to show cause why a final order should not be issued against that Respondent, ordering each Respondent to cease and desist from further violations of the Securities Act, assessing each Respondent the statutory penalty of up to \$5,000 per violation of the Securities Act, permanently barring each Respondent from engaging in the securities and investment advisory business in Maryland, and imposing against each Respondent any other sanction or combination of sanctions as permitted under section 11-701.1 of the Securities Act; and

WHEREAS, the Order provided that the failure of a Respondent to file an answer or a request for a hearing within fifteen (15) days of service of the Order would result in the entry of a Final Order imposing on that Respondent a monetary penalty of up to \$5,000 per violation of the Securities Act; and permanently barring that Respondent from engaging in the securities business in Maryland; and

WHEREAS, the Order further provided that the failure to request a hearing in writing would be deemed a waiver by that Respondent of the right to a hearing; and

WHEREAS, Respondent New Image failed to file an answer to the Order to Show Cause and failed to make a request for a hearing within 15 days of service of the Order; and

WHEREAS, Respondent New Image was given additional time to file an answer to the Order to Show Cause and to make a request for a hearing but failed to do so; and

WHEREAS, the Commissioner has determined that it is in the public interest to issue this Consent Order;

NOW, THEREFORE, IT IS HEREBY ORDERED:

I. JURISDICTION

1. The Commissioner has jurisdiction in this proceeding pursuant to section 11-701.1 of the Securities Act.

II. RESPONDENT

2. At all times relevant to this matter, New Image, LLC maintained a place of business in Baltimore, MD. New Image is owned by Haskell Feldman.

III. FINDINGS OF FACT

3. Haskell Feldman was introduced to Lennie Mungo by Reginaldo Carmelia, who occasionally worked out of Feldman's office.

4. Mungo was looking for investors that could put up funds to invest in Collateralized Mortgage Obligation notes (CMOs) being offered through John Baxter of Baxter Global and Richard Schulenberg, an attorney located in California. Mungo introduced Feldman to Schulenberg.

5. Carmelia also introduced Feldman to R.J. R.J. and his partner, R.S., owned SJC, Inc., a construction business, and ANTH, LLC, in North Carolina. R.J. and R.S. were looking to raise funds for their construction business.

6. Feldman approached R.J. about the CMO investment opportunity being offered through Schulenberg and solicited his investment. R.J. expressed an interest in the CMO investment.

7. Feldman arranged the terms of the CMO investment with Schulenberg. Per the terms of the investment, as set forth in a Purchase Agreement dated November 24, 2008, between Feldman's company, New Image, LLC, and Schulenberg, New Image would purchase from Schulenberg a CMO with a face value of \$100,000,000.

8. The investment funds used to purchase the CMO would come from ANTH, LLC. In return for its investment, ANTH, LLC expected the return of its principal plus a profit. Feldman and New Image would receive 5% of any profit received by ANTH, LLC.

9. R.J. and R.S. were initially told that the CMO transaction would require an investment of \$600,000.

10. On or about November 20, 2008, at the direction of Feldman, ANTH, LLC wired \$600,000 to a bank account held in the name of Grace Title, LLC, a title company owned by Feldman's mother-in-law and managed by his wife.

11. That same day, Feldman informed R.J. and R.S. that only \$500,000 was needed to purchase the CMO.

12. R.J. and R.S. requested the return of the extra \$100,000. Feldman asked R.J. and R.S. if he could keep \$10,000 of the \$100,000 as additional compensation for his services in setting up and facilitating the CMO transaction. R.J. and R.S. acquiesced.

13. Feldman then wired \$90,000 back to SJC, Inc. and \$10,000 to a bank account held in the name of New Image, LLC.

14. On or about November 24, 2008, the remaining \$500,000 was wired to a bank account held in the name of Richard Schulenberg to purchase the CMO.

15. Within days of wiring the \$500,000 to Schulenberg's account, Schulenberg wired \$317,500 to a bank account held in the name of LEM Enterprises, LLC, a company owned by Lennie Mungo. The monies represented compensation paid in connection with the CMO investment transaction.

16. On or about November 26, 2008, Mungo then paid \$120,000 to CHL, LLC, a company owned by Mungo's partner, Shawn Campbell, \$41,875 to John Baxter¹, and \$35,000 to Grace Title for the benefit of Feldman and Carmelia. Mungo's share of the compensation was \$120,000.

17. Out of the \$35,000, Feldman directed that \$25,000 be transferred from Grace

¹ Baxter is currently the subject of an FINRA action alleging that he misrepresented that he held the Series 7, 22, 63 and 66 securities licenses and failing to respond to requests.

Title's account to New Image, LLC's bank account and \$10,000 to an account held in the name of DPW, LLC, a company owned by Carmelia. The \$35,000 was not split evenly between Feldman and Carmelia because of a prior personal debt owed by Carmelia to Feldman.

18. There is no evidence that the funds were actually used to purchase the promised CMO.

19. New Image, LLC is not now, nor has it ever been, registered in Maryland as a broker-dealer, agent, investment adviser, or representative.

20. Neither Feldman nor Carmelia is now, or has ever been, registered in Maryland as a broker-dealer, agent, investment adviser, or investment adviser representative.

21. There is no record of registration, a claim of exemption from registration, or qualification as a federal covered security filed with the Division by or on behalf of the CMO investment purportedly purchased with funds from ANTH, LLC.

22. Shortly after this CMO investment transaction, New Image sought out other investors for additional CMO transactions.

23. A.J. knew Feldman's daughter, L.M., through prior real estate transactions. L.M. told A.J. about the CMO investment opportunity being offered through New Image.

24. A.J. met with both Feldman and Carmelia to discuss the CMO investment opportunity.

25. A.J. was told by Feldman and Carmelia that his funds along with the funds from other investors would be used to purchase a CMO in the amount of \$500,000. A.J. was told that his funds would be held in escrow by Grace Title until the full \$500,000 was raised through other investors.

In return for his investment of funds, A.J. was promised a return of his principal plus a monthly return of 20%.

26. A.J. was given New Image disclosure documents that provided a description of CMOs and the structure of the CMO program offered by New Image. In one disclosure document, New Image described the “CMO packages” as being “comprised of A paper mortgages” and, in describing the duration of the investment, explained that “[t]here is no time commitment; the appropriate party(ies) can have their funds returned after thirty-day (30) days from the date the funds are committed.”

27. A.J. decided to invest \$50,000 with New Image.

28. To evidence A.J.’s investment, on or about December 9, 2008, A.J. and New Image executed a document entitled Memorandum of Understanding for Capital Investment (“MOU”). The MOU was executed by Reginaldo Carmelia on behalf of New Image.

29. According to the MOU, A.J. would make a capital investment of \$50,000 with New Image. The \$50,000 would be deposited into a bank account held in the name of Grace Title, LLC. The capital investment would be “continuously reinvested . . . for as long a time period as Lender and Borrower desire to continue with the transaction.” Further, the capital investment would be “held by Grace Title, LLC . . . in its escrow/trust account” and returned to A.J. “at the time of the funding of the investment return, which is guaranteed to be twenty (20) percent per month,” and A.J. would have a “One Hundred (100%) Percent ownership/equity in his portion in the investment.”

30. The MOU also set forth a schedule of compensation that would be earned by New Image and Carmelia as a result of their participation in the investment transaction.

31. On or about the 18th of December, 2008, A.J. presented Feldman and Carmelia

with a \$50,000 check made payable to Grace Title, LLC. That check was taken by Feldman and deposited into Grace Title's bank account.

32. In January 2009, Feldman and Carmelia told A.J. that he would be receiving the return of his investment of \$50,000 plus a 20% return of \$10,000 by January 26, 2009.

33. That statement never materialized.

34. Shortly thereafter, A.J. learned the true fate of his \$50,000 investment. On or about January 9, 2009, at the direction of Feldman, funds representing the \$50,000 invested by A.J. were wired from Grace Title's bank account to an account held in the name of, or for the benefit of, ANTH, LLC, the company owned by R.S. and R.J.

35. According to Feldman, the funds were forwarded to ANTH, LLC as a loan to R.S.'s and R.J.'s construction business. R.S.'s and R.J.'s investment in the CMO transaction had not paid off as expected and their construction business was in need of capital.

36. A.J. never authorized, and was never told by Respondents, that his investment funds were to be loaned to R.S.'s and R.J.'s business. Instead, as disclosed to him in writing and orally, he fully expected that his funds would be held in escrow until \$500,000 was raised through other investors and then used to purchase a CMO.

37. To date, A.J.'s funds have not been returned to him.

38. On or about January 19, 2009, New Image entered into a "Joint Venture Agreement" in which New Image agreed to transfer to ANTH, LLC ownership of the CMO purportedly purchased by New Image with funds from ANTH, LLC.

39. According to the Joint Venture Agreement, ANTH, LLC would then trade the CMO on a platform and, as a result, make a profit.

40. Based upon an expected profit of one million dollars, one-time payments in the amount of \$40,000 would be paid to New Image for its role as “broker,” and \$10,000 each to DPW, LLC and other agents for their roles as “finders.” An additional \$65,000 would be paid to New Image “for the repayment of [a] promissory note dated January 9, 2009.” New Image, Dominion Partners Worldwide, and other agents also would receive continuing payments based upon the income generated from the reinvestment of the CMO.

41. To date, New Image has neither received nor transferred the CMO to ANTH, LLC. It is unclear as to whether New Image ever owned the CMO in question.

42. Respondents failed to disclose to investors they were not registered to offer or sell securities or advise others to purchase or sell securities in Maryland.

43. Respondents failed to disclose the risks associated with the CMO investments.

44. Respondents failed to disclose that the CMO investment offerings were not registered or exempted from the registration requirements in Maryland.

IV. CONCLUSIONS OF LAW

The Commissioner concludes that:

45. Respondent New Image offered and sold unregistered securities in the form of investment contracts, evidence of indebtedness, and certificates of interest in or participation in profit-sharing agreements, in violation of section 11-501 of the Securities Act.

46. Respondent New Image violated section 11-301 of the Securities Act by failing to tell investors, among other things, that the CMO investments offered or sold by them were not registered or exempted from the registration requirements and the risks associated with the CMO investments, and by misrepresenting to A.J. how his funds would be used.

47. Respondent New Image violated sections 11-302(a) and (c) of the Securities Act by failing to tell investors, among other things, that the CMO investments offered or sold by them were not registered or exempted from the registration requirements and the risks associated with the CMO investments, and by misrepresenting to A.J. how his funds would be used.

48. Respondent New Image violated section 11-401 of the Securities Act by acting as an unregistered broker-dealer, agent, investment adviser and/or investment adviser representative.

49. Respondent New Image violated section 11-402 of the Securities Act by employing or associating with unregistered agents and investment adviser representatives, in violation of section 11-402 of the Securities Act; and

V. SANCTIONS

NOW THEREFORE, IT IS HEREBY ORDERED that:

50. Respondent New Image shall permanently cease and desist from violating sections 11-301, 11-302(a) and (c), 11-401, 11-402, and 11-501 of the Securities Act.

51. Respondent New Image is barred from engaging in the securities or investment advisory business in Maryland for or on behalf of others, or from acting as a principal or consultant in any entity so engaged.

52. Respondent New Image is assessed a civil monetary penalty pursuant to section 11-702 of the Act in the amount of \$50,000 for the violations set forth in this Order. Said penalty shall be paid within 90 days of the date of this Order.

53. Respondent New Image shall comply fully with the Securities Act and the regulations promulgated thereunder.

VI. JURISDICTION RETAINED

54. Jurisdiction shall be retained by the Commissioner for such further orders and directions as may be necessary or appropriate for the construction or enforcement of this Consent Order.

VII. APPEAL RIGHTS

55. Any Respondent may appeal this Final Order to the appropriate Circuit Court of the State of Maryland within 30 days from the date this Final Order is mailed by the Securities Division.

SO ORDERED:

**Commissioner's Signature is
on File with Original Document**

Date: August 16, 2010

Melanie Senter Lubin
Securities Commissioner