

STATE OF MAINE
OFFICE OF SECURITIES
121 STATE HOUSE STATION
AUGUSTA, ME 04333

IN RE: Hope Scharf Tengonciang and
Donald Poulin

NOTICE OF INTENT
TO ISSUE A CEASE AND DESIST
ORDER AND IMPOSE A CIVIL
PENALTY
03-005

ALLEGATIONS

1. Hope Scharf Tengonciang (“Tengonciang”) is a Maryland resident whose last known address is 635 Opel Road, Glen Burnie, Maryland 21060.
2. Donald Poulin (“Poulin”) is a Maine resident who acted, at all relevant times, as an agent for Tengonciang. His last known address is 431 Old Belgrade Road, Augusta, Maine 04330-8061.
3. Throughout 1998 and 1999, Poulin persuaded some of his family members and acquaintances to establish family trusts through Lincoln Madison Alliance, LLC (“LMA”), a South Carolina corporation of which Tengonciang was a director and officer, purportedly to avoid tax liability, and, through their trusts, to enter into due-on-demand promissory notes, with Tengonciang and Sunrise Ventures, a fictitious entity named as representing the “Fund” in the notes. In furtherance thereof, Poulin distributed information to his family members and acquaintances about the tax advantages of establishing family trusts.
4. In or about 1998, Poulin solicited his brother and sister-in-law, Greenwood, Maine, residents, to place their property into a family trust through LMA and to enter into two due-on demand promissory notes, through their family trust, with Tengonciang. As a result of Poulin’s solicitation, Poulin’s brother and sister-in-law entered into two due-on-demand promissory notes with Tengonciang. Poulin’s brother and sister-in-law initially invested \$40,000. Shortly thereafter, they invested \$8,000 and then a further \$2,000, totaling \$50,000 in the due-on-demand promissory notes. The due-on-demand promissory notes promised a rate of return of 30% per month. Poulin’s brother and sister-in-law have not received any of their monies back.

5. In or about August of 1999, Poulin solicited his cousin, an Augusta, Maine, resident, to establish a family trust through LMA and to invest her monies in a due-on-demand promissory note, through the family trust, with Sunrise Ventures and Tengonciang. Tengonciang also recommended to Poulin's cousin that her property should be put into a family trust as a way of avoiding tax liability.
6. Poulin informed his cousin that there were no risks associated with the due-on-demand promissory notes and that her investment was guaranteed. Further, Poulin represented to his cousin, and the note provided, that she would earn 30 per cent per month if she invested in the due-on-demand promissory note.
7. Tengonciang informed Poulin's cousin that, if she invested in a due-on-demand promissory note through a family trust, she would be able to access her investment monies at any time.
8. Poulin's cousin, through her family trust, accordingly entered into a due-on-demand promissory note with Tengonciang and transferred \$80,000 from her IRA to Poulin. Poulin then transferred \$50,000 of his cousin's monies to LMA and kept the remaining \$30,000 in one of his own accounts.
9. In or about 1999, Tengonciang told Poulin's cousin that she would receive monthly reports, showing the rate of growth of her investment. However, Tengonciang failed to provide her with monthly reports. Furthermore, she has received back only \$25,000 of her investment from Tengonciang.
10. The notes are securities under of 32 M.R.S.A § 10501(18).
11. Pursuant to 32 M.R.S.A. § 10201, in connection with the offer, sale or purchase of any security, a person shall not, directly or indirectly employ any device, scheme or artifice to defraud, make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading, or engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person.
12. The respondents have, in connection with the offer and sale of securities, made untrue statements of material fact and engaged in a course of business operating as a fraud or deceit upon other persons in violation of 32 M.R.S.A. § 10201.
13. Pursuant to 32 M.R.S.A § 10401, a person may not offer or sell any security in Maine unless the security is registered under the Revised Maine Securities Act (the "Act"), or the security or transaction is exempt under the Act or the security is a federal covered security.
14. At all relevant times, the due-on-demand promissory notes offered and sold by the respondents were not registered as securities in Maine and were not

otherwise exempt from registration under the Act. The respondents have accordingly violated 32 M.R.S.A. §10401 by offering and selling unregistered securities in Maine.

15. Pursuant to 32 M.R.S.A. § 10301, it is unlawful for any person to transact business in Maine as a broker-dealer or sales representative unless licensed or exempt from licensing under the Act.
16. At all relevant times, the respondents were not licensed to offer or sell securities in Maine and were not otherwise exempt from licensing under the Act. The respondents have accordingly violated 32 M.R.S.A. § 10301 by offering and selling securities in Maine without being licensed to do so.
17. Pursuant to 32 M.R.S.A. §§ 10602(1)(A), (C), and (E), if the Administrator reasonably believes that any person has engaged, is engaging, or is about to engage in any act or practice constituting a violation of any provision of the Act or any rule or Order issued under the Act, the Administrator may, after notice and opportunity for hearing, issue a cease and desist order; bar the person from association with any issuer, broker-dealer, or investment adviser; and issue an order imposing a civil penalty that may not exceed \$1500 for a single violation.
18. Each respondent committed at least eight violations of the Act when they each:
 - (a) in connection with the offer and sale of the due-on-demand promissory notes to at least two persons in Maine, made untrue statements of material facts or engaged in a course of business operating as a fraud or deceit;
 - (b) offered or sold at least three unregistered securities in Maine; and
 - (c) offered or sold securities in at least three transactions in Maine without being licensed.
19. Effective December 31, 2005, the Maine Uniform Securities Act, Title 32, Chapter 135, superseded the Act and governs conduct occurring after December 31, 2005.

NOTICE

Pursuant to 32 M.R.S.A. § 10708(6), notice is hereby given that the Administrator, pursuant to 32 M.R.S.A. § 10602(1), intends to:

- (1) issue a cease and desist order prohibiting the respondents from violating the Maine Uniform Securities Act,
- (2) bar the respondents from association with any issuer, broker-dealer, or investment adviser, and

(3) issue an order imposing a civil penalty of \$1,500 per violation on each respondent.

17. Pursuant to 32 M.R.S.A. § 10708(2), the respondents have thirty (30) calendar days from the entry of this Notice of Intent to file a written request for a hearing.

Date: 1/31/06

/s/ Michael J. Colleran
Michael J. Colleran
Securities Administrator

Reviewed by:

Date: 1/31/06

/s/ Bonnie E. Russell
Bonnie E. Russell
Assistant Securities Administrator

Presented by:

Date: 1/31/06

/s/ Christian D. Van Dyck
Christian D. Van Dyck
Investigator/Examiner