

1 STATE OF WASHINGTON
2 DEPARTMENT OF FINANCIAL INSTITUTIONS
3 SECURITIES DIVISION

4 IN THE MATTER OF DETERMINING) Order Number S-09-448-12-SC01
5 Whether there has been a violation of the)
6 Securities Act of Washington by:) STATEMENT OF CHARGES AND
7 Discovery Tours, LLC;) NOTICE OF INTENT TO ENTER ORDER
8 Melody Miranda; and) TO CEASE AND DESIST, TO CHARGE
9 Fidel Armando Miranda;) COSTS, AND TO IMPOSE FINES
10 Respondents.)

11 THE STATE OF WASHINGTON TO: Discovery Tours, LLC
12 Melody Miranda
13 Fidel Armando Miranda

14 **STATEMENT OF CHARGES**

15 Please take notice that the Securities Administrator of the State of Washington has
16 reason to believe that Respondents Discovery Tours LLC, Melody Miranda and Fidel Armando
17 Miranda have each violated the Securities Act of Washington and that their violations justify the
18 entry of an order of the Securities Administrator under RCW 21.20.390 against each to cease
19 and desist from such violations and to charge costs, and under RCW 21.20.395 to impose fines.

20 The Securities Administrator finds as follows:

21 **TENTATIVE FINDINGS OF FACT**

22 Respondents

23 1. Discovery Tours LLC (“Discovery Tours”) is a Washington limited liability
24 company formed on March 12, 2002, with a principal place of business in Centralia,
25 Washington. Discovery Tours is in the business of providing group tours to senior citizens.

STATEMENT OF CHARGES AND NOTICE OF
INTENT TO ENTER ORDER TO CEASE AND
DESIST, TO CHARGE COSTS, AND TO IMPOSE
FINES

1 2005 Offering

2 8. In 2005, the Respondents raised at least \$100,000 through the offer and sale of
3 unsecured "Growth Notes" to at least 50 investors. Discovery Tours disseminated a flyer that
4 stated that the company was offering "Growth Notes" (also referred to as "Growth
5 Certificates") to investors for a "very limited time." Respondents represented that the
6 company had more than 100 "certificate holders" and that more than 90% had "rolled over"
7 their investment.

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9 9. Respondents represented that investor funds would be invested into "tangible
10 fixed assets" and that investors would receive a signed and numbered "certificate" from the
11 managing members of Discovery Tours (i.e., Fidel and Melody Miranda).

12 10. Respondents offered notes with different rates of return, depending on the
13 amount invested: (a) \$500 notes paid a return of 3%; (b) \$1,000 notes paid a return of 4%;
14 and (c) \$5,000 notes paid 6% return. According to the flyer, the notes had a term of three
15 years and interest payments would be made quarterly.

16 Summer 2006 Note Offerings

17 11. Between approximately July and August 2006, the Respondents offered and sold
18 over \$375,000 worth of investments in \$1,000 increments to over 150 investors. In
19 approximately July 2006, the Respondents disseminated a flyer to investors regarding so-
20 called "\$1,000.00 Certificates." The flyer featured photographs of a large tour bus and
21 represented that "a new bus is on the way" and that the certificates would be secured with the
22 bus. The notes had a three-year term and offered a 7% return, with quarterly interest
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1 payments. The bottom portion of the flyer included a form for investors to fill out and return
2 to the Discovery Tours' office in Centralia, Washington along with their investment check.
3 The flyer represented that Discovery Tours was offering its customers the "same deal the bank
4 has offered us." The flyer represented that the investment "maximizes your funds with a high
5 interest rate" and had "minimal risk."

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7 12. Some investors later received a three year promissory notes dated August 10,
8 2006. The notes were issued by Discovery Tours, LLC and signed by Fidel Miranda and
9 another member of Discovery Tours' staff as a witness. The notes indicated that the investor
10 would become a member of the "The Bus Group" and that the group "will be listed with the
11 State of Washington as lien holders for the value of their individual certificate on a "MCI
12 BUS" along with a VIN (vehicle identification number) for the bus.

13 2006-2007 Offering

14 13. Between approximately October 2006 and January 2007, Respondents offered
15 and sold more than \$600,000 worth of investments to over 190 investors. Discovery Tours
16 sent out a letter to existing investors in "Discovery Growth & Bus Funds." Respondents
17 indicated that Discovery Tours had purchased a new tour bus, and that "certificates are
18 available again for this new bus purchase." Investors were encouraged to tell their "family
19 and friends as they will not last long as some of you discovered we sold-out on the last set
20 offered."

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22 14. Discovery Tours provided investors with a flyer regarding the \$1,000
23 Certificates" with terms similar to those used in the 2005 flyer. One flyer included a deadline
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1 of November 20, 2006, while another included a deadline of December 22, 2006.
2 Respondents continued to accept investor checks through the month of January 2007.

3 15. Discovery Tours later issued notes dated January 1, 2007 to numerous investors.
4 Respondents made similar representations regarding the investors being lien holders for the
5 value of their individual certificate on a specific bus.

6 2008 Offering

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8 16. In 2008, Discovery Tours sent out postcard solicitations to its customers that
9 stated: “By customer request we have offered our current Growth Certificate holders an
10 opportunity to cash out early so you can buy in. We now have a limited supply of 3 year
11 certificates open. These are non-secured notes with a 7% interest paid by-yearly. Get the
12 same deal the bank offered us....”

13 17. In July 2008, Discovery Tours sent a letter to investors that stated that the
14 company’s expansion plans were “well under way.” Investors were sent a form to fill out and
15 were told that they could request an “early cash out”, could roll them over to future travel
16 credits to use on tours, or renew the notes for 1, 2 or 3 years.

17 2009 Offering

18 18. In 2009, Respondents offered and sold over \$1 million worth of so-called
19 “mortgage notes” to investors. Discovery Tours disseminated a flyer which stated “Why let
20 the banks have all the fun?” The flyer stated that “only a few” notes were still available.

21 19. Respondents described the investment as a “long term secured mortgage note
22 that will be managed by a local firm.” The firm that would purportedly manage the note was
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1 not disclosed in the flyer. Respondents indicated that the notes would be paid off in seven
2 years at 6% interest, and that the maximum investment was \$30,000 that would yield a profit
3 “of \$6,817.20 over the term of the loan.” The flyer stated that “certificates” would later be
4 issued to investors.

5 20. Respondents further indicated that investors would earn 6% interest only until
6 the “team has vested on December 31st 2009” and that at that time the “team” would be “added
7 as a lien holder on the commercial property.” The flyer did not disclose what commercial
8 property it was referring to, the value of the property, or any existing lien holders.
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10 21. In July 2009, Melody Miranda said to investors in a letter that: “As added
11 protection, Armando [Miranda] and I carry enough life insurance to cover the notes should a
12 tragic accident occur and 5 million dollars worth of insurance on the vehicles.”

13 Securities Division Warning Letter

14 22. On or about November 10, 2009, the Securities Division sent a letter dated
15 November 9, 2009 to Discovery Tours warning that the company may be in violation of the
16 Securities Act of Washington. The letter further stated that the company must immediate
17 cease directing offers and sales of securities in Washington and of possible administrative
18 action for non-compliance. The letter was sent by certified mail, return receipt requested and
19 the signed receipt evidencing delivery to Discovery Tours at its Chehalis address was returned
20 to the Securities Division on November 13, 2009.
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1 certificates” in \$500 increments. The offer was made by a letter that explained: “*For example*
2 *a \$1,000.00 conversion, will return \$1,200.00 in future travel.*”

3 2011 Offer

4 28. In a letter dated January 29, 2011, Respondents offered Discovery Tour note
5 holders a 10% premium if the investors would exchange part or all of their notes for future
6 travel in \$500 increments. Respondents told investors that “If you would like to extend any or
7 all of your note into a six year mortgage note during the month of February, we will honor
8 your current interest rate and convert you to a regular payment of principle [*sic*] and interest
9 scheduled to be at zero balance at the end of six years.”

10 Default on Notes

11 29. By October, 2012 Respondents ceased making payments to note holders.

12 Misrepresentations and Omissions

13 30. When offering and selling the promissory notes described above, the
14 Respondents failed to provide investors with a prospectus or offering circular disclosing the
15 risks and material information regarding the investment such as financial statements or
16 information concerning the financial condition of Discovery Tours.

17 31. The Respondents failed to provide investors with and made misleading
18 statements regarding the risks associated the investments. While some flyers stated that the
19 investments carried “some risk” or “minimal risk” they failed to disclose the specific risks,
20 including the risk of default.
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1 3. Melody Miranda and Fidel Armando Miranda have each violated RCW
2 21.20.040 by offering or selling said securities while not registered as a securities salesperson or
3 broker-dealer in the State of Washington.

4 4. The offer or sale of the stock described above was made in violation of RCW
5 21.20.010 because, as set forth in the Tentative Findings of Fact, Discovery Tours, LLC,
6 Melody Miranda and Fidel Armando Miranda made misstatements of material facts or omitted
7 to state material facts necessary in order to make the statements made, in light of circumstances
8 under which they were made, not misleading.
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10 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

11 Pursuant to RCW 21.20.390(1), and based on the above Tentative Findings of Fact and
12 Conclusions of Law, the Securities Administrator intends to order that Discovery Tours, LLC,
13 Melody Miranda and Fidel Armando Miranda and their agents and employees, each cease and
14 desist from violations of RCW 21.20.140, RCW 21.20.040, and RCW 21.20.010.

15 **NOTICE OF INTENT TO IMPOSE FINES**

16 Pursuant to RCW 21.20.395, and based upon the Tentative Findings of Fact and
17 Conclusions of Law, the Securities Administrator intends to order that Respondent Discovery
18 Tours, LLC, Melody Miranda and Fidel Armando Miranda shall be jointly liable for and shall
19 each pay a fine of \$20,000.
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21 **NOTICE OF INTENT TO CHARGE COSTS**

22 Pursuant to RCW 21.20.390(5), and based upon the Tentative Finds of Fact and
23 Conclusions of Law, the Securities Administrator intends to order that Respondent Discovery
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1 Tours, LLC , Melody Miranda and Fidel Armando Miranda shall be liable for and pay the
2 Securities Division the costs, fees, and other expenses incurred in the conduct of the
3 administrative investigation and hearing of this matter of not less than \$5,000.

4 **AUTHORITY AND PROCEDURE**

5 This Statement of Charges is entered pursuant to the provisions of chapter 21.20 RCW
6 and is subject to the provisions of RCW 34.05. The Respondents may each make a written
7 request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND
8 OPPORTUNITY FOR HEARING accompanying this order.
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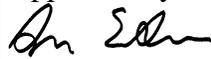
10 If a Respondent does not request a hearing, the Securities Administrator intends to adopt
11 the above Tentative Findings of Fact and Conclusions of Law as final and enter an order to
12 cease and desist permanent as to that Respondent, and impose the fines and costs sought.

13 Dated and Entered this 4th day of June, 2013.

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16 WILLIAM M. BEATTY
17 Securities Administrator

18 Approved by:

19 

20 Suzanne E. Sarason
21 Chief of Enforcement

Presented by:

22 

23 Martin Cordell
24 Financial Legal Examiner

25 Reviewed by:



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1 Jack McClellan
2 Financial Legal Examiner Supervisor

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