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10 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
11 OF THE STATE OF CALIFORNIA

13	In the Matter of	)	CASE NO.
)	
14	THE COMMISSIONER OF BUSINESS	)	1) STATEMENT IN SUPPORT OF
15	OVERSIGHT,	)	ORDER LEVYING ADMINISTRATIVE
		)	PENALTIES PURSUANT TO
16	Complainant,	)	CORPORATIONS CODE SECTION
		)	25252;
17	v.	)	2) CLAIM FOR ANCILLARY RELIEF
		)	PURSUANT TO CORPORATIONS
18	NEWTALK, INC. and BRUCE WAYNE	)	CODE SECTION 25532;
)	
19	NASH,	)	3) DESIST AND REFRAIN ORDER
)	
20	Respondents.)	
)	

21
22 Jan Lynn Owen, the Commissioner of Corporations (“Commissioner”) of the California
23 Department of Business Oversight (“Department”), collectively (“Complainant”) alleges and charges
24 as follows:

25 **I. STATEMENT OF FACTS**

26 1. At all relevant times herein, NewTalk, Inc. (“NewTalk”) was a California Corporation first
27 incorporated on April 26, 2004 and reported a business address of 1600 Adams Drive, Menlo Park,
28 California 94025.

1 2. At all relevant times herein, Bruce Wayne Nash, (“Nash”) was the founder and CEO of
2 NewTalk. According to the records of the California Secretary of State, Nash is also the registered
3 agent for service of process for NewTalk, with a service address of 2371 Poplar Avenue, East Palo
4 Alto, California 94303. At all relevant times herein, Nash also is or was a minister of the Church of
5 Christ in East Palo Alto, California.

6 3. NewTalk and Nash are herein collectively referred to as “Respondents.”

7 4. Whenever reference is made in this Statement in Support to “Respondents” doing any act,
8 the allegations shall mean the act of each respondent acting individually, jointly and severally.

9 5. As a minister of the Church of Christ in East Palo Alto, Nash had occasion to meet with
10 members of the congregation. At one such meeting, Nash met with a married couple who were new
11 members. Nash presented to the couple a business card, identifying him as the CEO of NewTalk,
12 Inc.

13 6. Nash met again with the husband at the offices of the Church of Christ in East Palo Alto.
14 He explained that his company was in the process of developing a device that would automatically
15 translate languages, and that this device would be used in international commerce as well as schools
16 for teaching foreign languages to children of all ages.

17 7. During a subsequent presentation to the couple, Nash displayed what he called a
18 “prototype” of the NewTalk translation device. The investors later learned that said “prototype” was
19 a toy that could be purchased at any local toy store. Nash stated that the device was the product of
20 proprietary information developed by his company, and that the product was patented. This was not
21 true. Nash further told the prospective investors that well-known corporations such as Google,
22 Facebook and Skype were either considering significant investments in NewTalk or contemplating
23 purchasing large quantities of the device manufactured by NewTalk.

24 8. Nash offered and sold securities to the investors, in the form of a convertible note offering
25 8% interest which the investors both signed. The convertible note was a security subject to
26 qualification under the California Corporate Securities Law of 1968 (“CSL”). They were also
27 provided qualifying documents that requested income and other financial information as well as their
28 investing experience. Nash subsequently told them they did not have to complete those documents.

1 9. Corporations Code section 25110 prohibits the offer and/or sale of non-exempt securities
2 in this state that are subject to qualification.

3 10. On January 31, 2013 the investors, a married couple, jointly provided to Nash a cashier's
4 check for \$10,000 as an investment in NewTalk during a meeting at the public library in Palo Alto,
5 California. The source of the \$10,000 was funds withdrawn from the wife's 401(k) retirement
6 account.

7 11. During the course of his solicitation and presentation to the investors, Nash failed to
8 disclose that he had filed two different Chapter 13 bankruptcy filings on September 13, 2010.

9 **II. ORDER LEVYING ADMINISTRATIVE PENALTIES**
10 **(For violations of Corporations Code sections 25110 and 25401(b))**

11 12. Complainant re-alleges and reincorporates by reference paragraphs 1-11 of this Statement
12 in Support as though fully set forth herein.

13 13. Corporations Codes section 25252 authorizes the commissioner to issue an order levying
14 administrative penalties against any person for willful violations of any provision of the Corporate
15 Securities Law of 1968 and any rules promulgated thereunder. Specifically, Corporations Code
16 section 25252 provides in relevant part:

17 The commissioner may, after appropriate notice and opportunity for hearing, by
18 orders, levy administrative penalties as follows:

19 (a) Any person subject to this division, other than a broker-dealer or
20 investment adviser, who willfully violates any provision of this division, or who
21 willfully violates any rule or order adopted or issued pursuant to this division, is liable
22 for administrative penalties of not more than one thousand dollars (\$1,000) for the first
23 violation, and not more than two thousand five hundred dollars (\$2,500) for each
24 subsequent violation.

25 14. Based on the foregoing findings of fact, as set forth fully above in paragraphs 5- 11,
26 Respondents willfully violated the following provisions:

27 a) Corporations Code section 25110 by offering and selling convertible notes that were not
28 qualified by the Department or exempt.

b) Corporations Code section 25401(b) by making untrue statements or omitting to state
material facts in association with the offer and sale of convertible notes to the investors.

1 17. Based on the foregoing findings of fact, as set forth fully above in paragraphs 1-11,
2 Respondents sold unqualified securities by means of misrepresentations or omission of material facts
3 in the amount of at least ten thousand dollars (\$10,000) to at least two California investors in
4 violation of California Corporations Code sections 25110 and 25401(b).

5 **WHEREFORE**, good cause showing and the Commissioner's determination that this action
6 is in the public interest and necessary to effectuate the Department's primary, legitimate, regulatory
7 purpose based upon the Respondent's violations of the Corporate Securities Law, the Commissioner
8 hereby prays for an order of ancillary relief pursuant to Corporations Code section 25532
9 individually, jointly, and severally against Respondents as follows:

10 A) Full restitution, consisting of the investor's principal in an amount of at least ten thousand
11 dollars (\$10,000) and interest accumulated on the investment principal or according to proof;

12
13 **IV. DESIST AND REFRAIN ORDER**

14 18. Complainant re-alleges and reincorporates by reference paragraphs 1-11 of this Statement
15 in Support as though fully set forth herein.

16 19. Based upon the foregoing findings, the Commissioner of Business Oversight is of the
17 opinion that the convertible note offering 8% that is being or has been offered or sold by Nash and
18 NewTalk is a security subject to qualification under the California Corporate Securities Law of 1968
19 and is being or has been offered or sold without being qualified in violation of Corporations Code
20 section 25110. Pursuant to Corporations Code section 25532, Bruce Wayne Nash and NewTalk, Inc.
21 are hereby ordered to desist and refrain from the further offer or sale in the State of California of
22 securities, including but not limited to convertible notes, unless and until qualification has been made
23 under the law or unless exempt.

24 20. Further, the Commissioner of Business Oversight is of the opinion that the securities
25 issued by Nash and NewTalk were offered and sold in this state by means of written or oral
26 communications which included untrue statements of material fact or omitted to state material facts
27 necessary in order to make the statements made, in the light of the circumstances under which they
28 were made, not misleading, in violation of section 25401(b) of the Corporate Securities Law of 1968.

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21. Pursuant to section 25532 of the Corporate Securities Law of 1968, Bruce Wayne Nash and NewTalk, Inc. are hereby ordered to desist and refrain from offering or selling any security in the State of California by means of any written or oral communication which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

This Order is necessary, in the public interest, for the protection of investors and consistent with the purposes, policies, and provisions of the Corporate Securities Law of 1968.

Dated: April 16, 2014
Sacramento, California

JAN LYNN OWEN
Commissioner of Business Oversight

By: _____
MARY ANN SMITH
Deputy Commissioner
Enforcement Division

1 MARY ANN SMITH
Deputy Commissioner
2 DOUGLAS M. GOODING
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11 OF THE STATE OF CALIFORNIA
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13 In the Matter of)
14 THE COMMISSIONER OF BUSINESS)
15 OVERSIGHT,)
16 Complainant,)
17 v.)
18 NEWTALK, INC. and BRUCE WAYNE)
19 NASH,)
20 Respondents.)
21

FINAL ORDER LEVYING
ADMINISTRATIVE PENALTIES
PURSUANT TO CORPORATIONS CODE
SECTION 25252 AND ANCILLARY RELIEF
PURSUANT TO CORPORATIONS CODE
SECTION 25532(e)

22 TO: Bruce Wayne Nash
NewTalk, Inc.
23 2371 Poplar Avenue
24 East Palo Alto, CA 94303

25 1. On April 16, 2014, the Department of Business Oversight for the State of California
26 brought an action to issue an order levying administrative penalties pursuant to Corporations Code
27 section 25252 and ancillary relief pursuant to Corporations Code section 25532(e) on Respondents,
28 Bruce Wayne Nash and NewTalk, Inc.

1 2. At all relevant times herein, NewTalk, Inc. was a California corporation with a
2 reported business address of 1600 Adams Drive, Menlo Park, California 94025.

3 3. At all relevant times, Bruce Wayne Nash, (“Nash”) was the founder and CEO of
4 NewTalk, Inc. Nash is also the agent for service of process for NewTalk, Inc. with a service address
5 of 2371 Poplar Avenue, East Palo Alto, California 94303.

6 4. Nash and NewTalk, Inc. are herein collectively referred to as “Respondents.”

7 5. At all relevant times herein, Nash is or was a minister of the Church of Christ in East
8 Palo Alto, California.

9 6. As a minister of the Church of Christ in East Palo Alto, Nash had occasion to meet
10 with members of the congregation. At one such meeting, Nash met with a married couple who were
11 new members. Nash presented to the couple a business card, identifying him as the CEO of
12 NewTalk, Inc.

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14 Alto. He explained that his company was in the process of developing a device that would
15 automatically translate languages, and that this device would be used in international commerce as
16 well as schools for teaching foreign languages to children of all ages.

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18 “prototype” of the NewTalk translation device. The investors later learned that said “prototype” was
19 a toy that could be purchased at any local toy store. Nash stated that the device was the product of
20 proprietary information developed by his company, and that the product was patented. This was not
21 true. Nash further told the prospective investors that well-known corporations such as Google,
22 Facebook and Skype were either considering significant investments in NewTalk or contemplating
23 purchasing large quantities of the device manufactured by NewTalk.

24 9. Nash offered and sold securities to the investors, in the form of a convertible note
25 offering 8% interest which the investors both signed. The convertible note was a security subject to
26 qualification under the California Corporate Securities Law of 1968 (“CSL”). They were also
27 provided qualifying documents that requested income and other financial information as well as their
28 investing experience. Nash subsequently told them they did not have to complete those documents.

1 10. Corporations Code section 25110 prohibits the offer and/or sale of non-exempt
2 securities in this state that are subject to qualification.

3 11. On January 31, 2013 the investors, a married couple, jointly provided to Nash a
4 cashier's check for \$10,000 as an investment in NewTalk during a meeting at the public library in
5 Palo Alto, California. The source of the \$10,000.00 was funds withdrawn from the wife's 401(k)
6 retirement account.

7 12. During the course of his solicitation and presentation to the investors, Nash failed to
8 disclose that he had filed two different Chapter 13 bankruptcy filings on September 13, 2010.

9 13. On April 29, 2014 the Commissioner served Respondents with copies of the following
10 documents: (1) Notice of Intention to enter Order Levying Administrative Penalties Pursuant to
11 Corporations Code Section 25252 And Claim For Ancillary Relief Pursuant to Corporations Section
12 25532(e); (2) Statement in Support of Order and Desist and Refrain Order; (3) Statement to
13 Respondents; (4) Notice of Defense; and (5) Government Code sections 11507.5, 11507.6 and
14 11507.7.

15 14. Respondents after appropriate notice and opportunity to be heard, have not requested a
16 hearing on this matter within 40 days after the substituted service of the documents referenced in the
17 preceding paragraph as required by California Corporations Code section 25532 and the
18 Administrative Procedure Act. The time period to request a hearing has expired.

19 15. California Corporations Code section 25252 authorizes the Commissioner to issue an
20 order levying administrative penalties against any person for willful violations of any provision of the
21 Corporations Code and any rules promulgated thereunder.

22 16. Based on the foregoing findings of fact, Respondents willfully violated the following
23 provisions:

24 a) Corporations Code section 25110 by offering and selling securities that are not
25 qualified by the Department or exempt;

26 b) Corporations Code section 25401(b) by making untrue statements in association
27 with the offer and sale of securities.

28 17. WHEREFORE, good cause showing, and pursuant to Corporations Code section

1 25252, the Commissioner enters this final order levying administrative penalties in the amount of one
2 thousand dollars (\$1,000.00), against Respondents, jointly and severally due and payable 60 days
3 from the date of this Order.

4 18. Corporations Code section 25532(e) authorizes the Commissioner to seek ancillary
5 relief on behalf of any person injured by violations of any provision of the Corporations Code and
6 any rules promulgated thereunder.

7 19. Based on the foregoing findings of fact, Respondents sold by means of fraud,
8 unqualified, nonexempt securities in an amount of ten thousand dollars (\$10,000.00) to California
9 investors in violation of Corporations Code sections 25110, and 25401(b).

10 20. WHEREFORE, good cause showing and pursuant to Corporations Code section
11 25532(e) the Commissioner enters this final order levying restitution in the amount of \$10,000.00
12 against Respondents, jointly and severally due and payable 60 days from the date of this Order.

13 The Commissioner finds that each of the above enumerated matters provide an independent
14 basis under California Corporations Code section 25252 and 25532(e), justifying the issuance of an
15 Order levying administrative penalties in the amount of \$1,000.00 and ordering restitution in the
16 amount of \$10,000.00 to the two California investors jointly and severally against Respondents due
17 and payable 60 days from the date of this Order. Based upon the foregoing, the Commissioner finds
18 it is in the public interest to enter this final Order.

19 NOW THEREFORE, GOOD CAUSE SHOWING, IT IS HEREBY ORDERED that Bruce
20 Wayne Nash and NewTalk, Inc. jointly and severally, pay administrative penalties in the amount of
21 \$1,000.00 and restitution in the amount \$10,000.00 due and payable 60 days from the date of this
22 Order.

23 This order is effective immediately.

24 Dated: June 18, 2014

JAN LYNN OWEN
Commissioner of Business Oversight

25
26 By: _____
27 MARY ANN SMITH
28 Deputy Commissioner
Enforcement Division