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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
16	Complainant,	)	PENALTIES PURSUANT TO
17	v.	)	CORPORATIONS CODE SECTION
18	NEWTALK, INC. and BRUCE WAYNE	)	25252;
19	NASH,	)	2) CLAIM FOR ANCILLARY RELIEF
20	Respondents.	)	PURSUANT TO CORPORATIONS
		)	CODE SECTION 25532;
		)	3) DESIST AND REFRAIN ORDER

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.

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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