

UNITED STATES DISTRICT COURT  
DISTRICT OF CONNECTICUT

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SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

Civil Action No.

VIKTOR NOVOSSELOV (A/K/A DAVID MARKOWITZ),  
IGOR MALYAR (A/K/A GEORGE FALCONE and MICHAEL  
SAFIR), BLUE SQUARE MANAGEMENT, INC., and  
WESTWOOD HOLDINGS, INC.

Defendants.

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**COMPLAINT**

Plaintiff, the Securities and Exchange Commission (“Commission” or “SEC”), alleges:

**SUMMARY**

1. This matter concerns two fraudulent offerings of “pre-IPO” stock in separate automatic teller machine (“ATM”) companies, conducted in succession by two unlicensed New York City-based venture capital firms and at least two unlicensed brokers who concealed their true identities from investors. Specifically, Viktor Novosselov (“Novosselov”), with the substantial assistance of Igor Malyar (“Malyar”), orchestrated a fraudulent offering via a purported venture capital firm named Blue Square Management, Inc. (“Blue Square”). Soon after Blue Square ended its fraudulent operation, Malyar orchestrated a similar fraudulent offering via another purported venture capital firm named Westwood Holdings, Inc. (“Westwood”).

2. Between approximately January 2001 and February 2004, one or more representatives of Blue Square cold-called potential investors across the country and solicited their investments

in the stock and warrants of a fictitious ATM management company. After raising approximately \$3.7 million from over 280 investors, Blue Square disconnected its phone lines and vacated its offices in early March 2004 without leaving any forwarding information. Investors have been unable to contact anyone at Blue Square since that time.

3. About the same time Blue Square disappeared, several unlicensed brokers claiming to be associated with Westwood began soliciting investors in a strikingly similar fraudulent offering. Using many of the same methods of operation, Westwood's representatives cold-called potential investors nationwide and offered to sell them common stock and warrants in a second ATM-related company. Westwood has raised at least \$1.2 million from over 80 investors.

4. The two offerings raised a combined total of at least \$4.9 million. Investors in both offerings say they based their investment decisions primarily on verbal and written claims that the investments would quickly generate high returns due to an anticipated IPO and/or buy-out proposal. In fact, neither the promised IPO nor buy-out proposal ever materialized. Instead, as investors fruitlessly awaited these events, Blue Square and Westwood dissipated virtually all of their respective investors' money by depositing it into several accounts and then systematically withdrawing it.

5. By engaging in this conduct, which is more fully described below, Novosselov, Blue Square, Malyar and Westwood (the "Defendants") violated the antifraud provisions of the federal securities laws, as well as provisions of the federal securities laws requiring the registration of broker-dealers and the registration of securities offered for sale.

6. The Commission seeks a final judgment which permanently enjoins Defendants from violating the federal securities laws cited herein, orders Defendants to account for and disgorge

all ill-gotten gains (with prejudgment interest), orders Defendants to pay civil money penalties, and orders such other and further relief as the Court may deem appropriate.

### **JURISDICTION AND VENUE**

7. This Court has jurisdiction over this action pursuant to Section 22(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77v(a)] and Sections 21(d), 21(e) and 27 of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78u(d) & (e) and 15 U.S.C. § 78aa]. In connection with the acts, practices, and courses of business alleged herein, Defendants, directly or indirectly, made use of the means and instruments of transportation and communication in interstate commerce, and of the mails.

8. Certain of the acts, practices, and courses of conduct constituting the violations of law alleged in this Complaint occurred within this judicial district, and, therefore, venue is proper pursuant to Section 22(a) of the Securities Act [15 U.S.C. § 77v(a)] and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

### **DEFENDANTS**

9. Blue Square Management, Inc., located on the Internet at [www.bluesquaremanagement.com](http://www.bluesquaremanagement.com), is a purported New York City-based venture capital firm specializing in underwriting initial public offerings. Blue Square was incorporated in the state of New York in March of 2002. Blue Square is not registered in any capacity with either the Commission or the National Association of Securities Dealers (“NASD”), and does not maintain any current address or operations.

10. Viktor Novosselov (a/k/a David Markowitz), age 37, resides in New York City, New York. Assuming the alias David Markowitz, Novosselov held himself out as president and CEO of Blue Square Management, Inc.

11. Westwood Holdings, Inc., located on the Internet at [www.westwood-holdings.com](http://www.westwood-holdings.com), is a purported venture capital firm based in New York City's financial district. Westwood, at all relevant times, maintained offices at Suite 808, 40 Exchange Place, New York, NY. Westwood was incorporated in the state of New York in October 2003, but is not registered in any capacity with either the Commission or the NASD.

12. Igor Malyar (a/k/a George Falcone and Michael Safir), age 33, resides on Staten Island, New York. Assuming the alias George Falcone, Malyar held himself out as the president and CEO of Westwood Holdings, Inc. In addition, under the alias Michael Safir, Malyar helped run Blue Square's day-to-day operations between approximately October 2002 and February 2004.

#### **OTHER RELATED PARTIES & ENTITIES**

13. Cash Money Lending Corp. ("CMLC") is a fictitious New York corporation purportedly in the business of managing ATM machines. Blue Square and Novosselov, the latter operating under the alias David Markowitz, solicited investors to purchase "pre-IPO" stock in CMLC.

14. ATM Express, Inc. ("ATMX") is a New York incorporated entity purportedly in the business of managing ATM machines. Westwood and Malyar solicited investors to purchase "pre-IPO" stock in ATMX.

#### **BLUE SQUARE'S FRAUDULENT SCHEME**

15. From January 2001 to February 2004, one or more individuals identifying themselves as David Markowitz (collectively, "Markowitz") separately cold-called potential investors throughout the United States and offered them an opportunity to invest in a private ATM-management company named CMLC. Markowitz told prospective investors he was an officer of Blue Square, a New York City-based venture capital firm. In certain telephone conversations,

Markowitz also told investors: (1) CMLC operated a lucrative business managing thousands of ATMs across the country; (2) CMLC's IPO, and/or a buy-out of the company, would occur in late 2003 or early 2004; and (3) investors would receive two warrants with each share of CMLC common stock purchased. Markowitz then offered certain potential investors the opportunity to purchase shares of CMLC for \$7 to \$10 per share, purportedly just one-third to one-half the planned IPO or buy-out price.

16. One or more individuals identifying themselves as Markowitz also sent prospective investors follow-up documents expanding upon the verbal sales pitch. Sales brochures sent to prospective investors indicated that: (1) CMLC began its ATM management operations in 1995; (2) CMLC actively managed over 6,000 ATM machines; (3) CMLC planned to conduct an IPO; and (4) Blue Square would be an underwriter for the company's IPO.

17. Adding a further sense of legitimacy to its offering, Blue Square set up a publicly accessible, multi-page website describing its venture capital business and investment philosophy. The website positively portrayed the business in general terms, but did not provide specific details such as names of clients, officers, directors, or employees. Blue Square's written sales materials invited investors to access the site to learn more about the firm.

18. After prospective investors expressed an interest in investing, Markowitz usually sent them subscription agreements and invoices setting forth the number of shares they had agreed to purchase and the payments owed. The invoices included many of the same stock projections initially made over the phone. For example, the invoices typically set forth an "Estimated Buy Out Price" of \$24 for each share of CMLC common stock, or an "Estimated Opening Price" of \$24 per share and \$4.50 per warrant. Under the latter calculation, each of the investors' units, for which they paid \$7 to \$10, would be valued at \$33 after the purported IPO -- \$24 for the

common share plus \$9 for the two warrants included in each unit. Some of the invoices also set forth a “stop loss” of \$12 per share, indicating that investors would be protected from losses if the stock price dropped after the anticipated IPO.

19. Although Markowitz told certain investors that CMLC manages ATMs throughout the country and sent certain investors follow-up materials detailing CMLC’s extensive business operations, CMLC in reality is a fictitious entity with no actual operations. Although a number of investors received stock certificates stating on their face that CMLC is incorporated under the laws of the state of New York, CMLC was never incorporated in New York or any other state.

20. Markowitz sold several investors shares in Blue Square itself rather than in CMLC and sent them corresponding Blue Square certificates. Markowitz told these investors that their investment in Blue Square was an indirect method for them to invest in CMLC or an unnamed private ATM company. Although incorporated in the state of New York, Blue Square had no legitimate business operations.

#### **BLUE SQUARE’S MISAPPROPRIATION OF INVESTOR FUNDS AND DISAPPEARANCE**

21. As a result of the above-described sales efforts, one or more individuals identifying themselves as Markowitz induced over 280 people nationwide to invest approximately \$3.7 million over a two-year period in hopes of profiting from the supposedly imminent IPO. When the promised IPO failed to materialize, Markowitz attempted to appease concerned investors with a variety of false stories explaining why the offering was delayed.

22. With the aid of a fraudulent New York State driver’s license bearing the name David Markowitz and a photo image of himself, Novosselov opened and controlled Blue Square’s bank accounts. Novosselov quickly and systematically dissipated investors’ funds by transferring the monies to several accounts and withdrawing cash from those accounts via regular check and

ATM withdrawals throughout the New York City boroughs of Manhattan, Brooklyn and Staten Island. In fact, \$3.4 million of the \$3.7 million raised by investors was withdrawn in cash from Blue Square's accounts, while the remaining monies were transferred to personal accounts in the name of David Markowitz or spent on miscellaneous items such as entertainment, food and gas. None of the money was used for the benefit of investors.

23. Malyar substantially assisted Novosselov and Blue Square in committing securities fraud. Malyar, who held himself out at Blue Square as Michael Safir, ran day-to-day operations at Blue Square's offices. Malyar collected and reviewed mail, such as checks and subscription agreements, from investors addressed to Markowitz and/or Blue Square. He also reviewed telephone messages investors had left for Markowitz. In addition, Malyar maintained numerous documents pertaining to CMLC's offering, compiled certain offering materials to be sent to investors, and deposited investor monies into Blue Square's accounts.

24. Blue Square disconnected all of its phone lines and vacated its office space without leaving any forwarding information in late February and early March 2004. Investors have been unable to contact Markowitz or anyone else associated with Blue Square since that time.

#### **WESTWOOD'S FRAUDULENT SCHEME**

25. Since approximately January 2004, Westwood has conducted an offering virtually identical to the scam perpetrated by Blue Square. One or more individuals identifying themselves as either George Falcone or another salesperson have individually cold-called potential investors throughout the United States. During these cold-calls, the individual(s) holding themselves out as either Falcone or another salesperson told prospective investors that they worked for Westwood, a New York venture capital firm, and offered prospective investors a chance to invest in the ATM-related company ATMX. They told certain potential investors that

ATMX planned to conduct an IPO in the near future and that it would soon be publicly traded under the ticker symbol "ATMX." They also told certain investors that a third party planned to buy out ATMX and was willing to pay a premium for its stock.

26. One or more individuals holding themselves out as either Falcone or another salesperson then sent potential investors a generic Westwood brochure similar to the brochure previously disseminated by Blue Square. Westwood's sales materials referred potential investors to its website, which -- like Blue Square's similarly formatted website -- described the firm's venture capital business and investment philosophy in positive but general terms.

27. Westwood falsely claimed on at least one version of its website to be affiliated with the well-known Gabelli mutual funds. Westwood, however, had no relation to any Gabelli entities or to Westwood Holdings Group, Inc. (NYSE: WSG), a Dallas-based company that, in fact, jointly operates a group of mutual funds with Gabelli Asset Management, Inc. (NYSE: GBL). The website's references to the legitimate "Westwood Gabelli" mutual funds were designed to add credibility to Westwood's offering.

28. One or more individuals identifying themselves as either Falcone or another salesperson also sent to investors who had expressed interest in the ATMX investment opportunity a package of information including invoices almost identical to those sent to Blue Square investors. These invoices included the number of shares investors apparently agreed to purchase, as well as the price owed for the shares. Just like Blue Square's invoices, Westwood's invoices typically set forth an "estimated opening price" for the company's stock well above the purchase price, as well as a price for a stop loss order supposedly ensuring the investment's profitability.



29. One or more individuals identifying themselves as either Falcone or another salesperson also sent certain Westwood investors a private placement memorandum for the ATMX offering as part of the initial information package. The memorandum is virtually identical to a private placement memorandum Novosselov (under the alias David Markowitz) paid a New York law firm to prepare for Blue Square in 2002 and 2003. The Blue Square memorandum and ATMX memorandum contain the same officer and director biographies but assign different names to the background descriptions. For example, while the Blue Square memorandum details the supposed educational and professional backgrounds of “David Markowitz” and “Michael Safir,” including their prior employment in the securities and ATM management industries, the ATMX memorandum pairs the same biographies to ATMX’s fictitious officers and directors.

#### **WESTWOOD’S MISAPPROPRIATION OF INVESTOR FUNDS**

30. As of November 2004, Westwood had raised at least \$1.2 million from over 80 investors nationwide. Malyar, using the name George Falcone, opened the bank accounts in which Westwood’s investor funds were deposited, and he remains the sole signatory on the accounts. Just as Novosselov had misappropriated Blue Square investors’ funds, Malyar dispersed Westwood investors’ funds amongst several accounts and systematically depleted virtually all of those monies through periodic ATM cash withdrawals or spent investors’ funds on miscellaneous personal expenses such as entertainment, food and gas. None of the money was used for the benefit of investors.

**CLAIMS FOR RELIEF**

**COUNT I**

**OFFER AND SALE OF UNREGISTERED SECURITIES IN VIOLATION OF  
SECTIONS 5(a) AND 5(c) OF THE SECURITIES ACT  
(All Defendants)**

31. The Commission repeats and realleges Paragraphs 1 through 30 of this Complaint as if set forth fully herein.

32. The common stock and warrants of Blue Square, CMLC and ATMX are securities within the meaning of Section 2(1) of the Securities Act [15 U.S.C. § 77b(1)]. Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. § 77e(a) & (c)] prohibit the sale of any security unless a registration statement is in effect with regard to that security, absent an applicable exemption.

33. No registration statement was filed or was in effect with the Commission pursuant to the Securities Act and no exemption from registration existed with respect to the Blue Square, CMLC or ATMX securities at issue.

34. As set forth more fully above, Defendants Novosselov, Blue Square, Malyar and Westwood, directly and indirectly: (a) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to sell securities as described in this Complaint, through the use or medium of a prospectus or otherwise; (b) carried securities or causing such securities, as described in this Complaint, to be carried through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or delivery after sale; and/or (c) made use of the means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of any prospectus or otherwise, as described in this Complaint, without a

registration statement having been filed or being in effect with the Commission as to such securities.

35. By reason of the foregoing, Defendants Novosselov, Blue Square, Malyar and Westwood, directly and indirectly, violated, and unless enjoined, will continue to violate Sections 5(a) and 5(c) of the Securities Act [15 U.S.C. § 77e(a) & (c)].

## **COUNT II**

### **FRAUD IN VIOLATION OF SECTIONS 17(a)(1), (2) and (3) OF THE SECURITIES ACT (All Defendants)**

36. The Commission repeats and realleges Paragraphs 1 through 35 of this Complaint as if set forth fully herein.

37. In the offer or sale of the Blue Square and CMLC securities at issue, Novosselov and Blue Square, directly or indirectly, by use of the means or instruments of transportation or communication in interstate commerce, and by use of the mails, knowingly or recklessly employed devices, schemes or artifices to defraud.

38. In the offer or sale of the ATMX securities at issue, Malyar and Westwood, directly or indirectly, by use of the means or instruments of transportation or communication in interstate commerce, and by use of the mails, knowingly or recklessly employed devices, schemes or artifices to defraud.

39. In the offer or sale of the Blue Square and CMLC securities at issue, Novosselov and Blue Square, directly or indirectly, by use of the means or instruments of transportation or communication in interstate commerce, and by use of the mails, obtained money and property by means of untrue statements of material facts or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made,

not misleading and engaged in transactions, practices or courses of business which operated as a fraud and deceit upon purchasers.

40. In the offer or sale of the ATMX securities at issue, Malyar and Westwood, directly or indirectly, by use of the means or instruments of transportation or communication in interstate commerce, and by use of the mails, obtained money and property by means of untrue statements of material facts or omissions to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and engaged in transactions, practices or courses of business which operated as a fraud and deceit upon purchasers.

41. By reason of the foregoing, Defendants Novosselov, Blue Square, Malyar and Westwood, directly or indirectly, violated and, unless enjoined, will continue to violate Sections 17(a)(1), (2) and (3) of the Securities Act [15 U.S.C. § 77q(a)(1)-(3)].

### **COUNT III**

#### **FRAUD IN VIOLATION OF SECTION 10(b) OF THE EXCHANGE ACT AND RULE 10b-5 THEREUNDER (All Defendants)**

42. The Commission repeats and realleges Paragraphs 1 through 41 of this Complaint as if set forth fully herein.

43. In connection with the purchase or sale of the Blue Square and CMLC securities at issue, Novosselov and Blue Square, directly or indirectly, by use of the means and instrumentalities of interstate commerce, and of the mails, knowingly or recklessly: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in acts, transactions,

practices, and courses of business which operated or would operate as a fraud or deceit upon the purchasers of such securities.

44. In connection with the purchase or sale of the ATMX securities at issue, Malyar and Westwood, directly or indirectly, by use of the means and instrumentalities of interstate commerce, and of the mails, knowingly or recklessly: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in acts, transactions, practices, and courses of business which operated or would operate as a fraud or deceit upon the purchasers of such securities.

45. By reason of the foregoing, Defendants Novosselov, Blue Square, Malyar and Westwood, directly or indirectly, violated and, unless enjoined, will continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5].

#### **COUNT IV**

#### **AIDING AND ABETTING FRAUD IN VIOLATION OF SECTION 10(b) OF THE EXCHANGE ACT AND RULE 10b-5 THEREUNDER (Malyar)**

46. The Commission repeats and realleges Paragraphs 1 through 45 of this Complaint as if set forth fully herein.

47. As set forth more fully above, Novosselov and Blue Square, in connection with the purchase or sale of Blue Square and CMLC securities, directly or indirectly, by use of the means and instrumentalities of interstate commerce, and of the mails, knowingly or recklessly: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material facts

and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in acts, transactions, practices, and courses of business which operated or would operate as a fraud or deceit upon the purchasers of such securities.

48. As detailed above, Malyar knowingly provided substantial assistance to Novosselov and Blue Square in violation of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5].

49. By reason of the foregoing, Malyar aided and abetted violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5].

#### **COUNT V**

#### **FRAUD IN VIOLATION OF SECTION 15(c) OF THE EXCHANGE ACT (All Defendants)**

50. The Commission repeats and realleges Paragraphs 1 through 49 of this Complaint as if set forth fully herein.

51. Defendants, directly or indirectly, by use of the means and instrumentalities of interstate commerce, have effected transactions in, or attempted to induce the purchase or sale of, securities while employing manipulative, deceptive, or other fraudulent devices or contrivances.

52. By reason of the foregoing, Defendants Novosselov, Blue Square, Malyar and Westwood, directly or indirectly, violated and, unless enjoined, will continue to violate Section 15(c) of the Exchange Act [15 U.S.C. § 78o(c)].

**COUNT VI**

**ACTING AS UNREGISTERED BROKER DEALER IN VIOLATION  
OF SECTION 15(a) OF THE EXCHANGE ACT  
(All Defendants)**

53. The Commission repeats and realleges Paragraphs 1 through 52 of this Complaint as if set forth fully herein.

54. Defendants made use of the means and instrumentalities of interstate commerce to effect, induce and attempt to induce the purchase and sale of securities without being registered with the SEC as a broker or dealer, and when no exemption from registration was available.

55. By reason of the foregoing, Defendants Novosselov, Blue Square, Malyar and Westwood, directly or indirectly, violated and, unless enjoined, will continue to violate Section 15(a) of the Exchange Act [15 U.S.C. § 78o(a)].

**RELIEF REQUESTED**

WHEREFORE, Plaintiff SEC respectfully requests that this Court enter a final judgment:

**I.**

Finding that Defendants committed the violations alleged above;

**II.**

Enjoining each of the Defendants, their agents, servants, employees, attorneys in-fact, and all persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise from violating Sections 5(a), 5(c), and 17(a) of the Securities Act [15 U.S.C. § 77e(a) & (c) and 15 U.S.C. § 77q(a)] and Sections 10(b), 15(a) and 15(c) of the Exchange Act [15 U.S.C. § 78j(b) and 15 U.S.C. § 78o(a) & (c)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5] and also enjoining Malyar from aiding and

abetting violations of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5];

**III.**

Ordering each of the Defendants to account for and disgorge their ill-gotten gains from the violative conduct alleged in this Complaint, and to pay prejudgment interest thereon;

**IV.**

Ordering each of the Defendants to pay civil monetary penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]; and



V.

Ordering such other and further relief as the Court deems appropriate.

Dated: June 10, 2005  
Washington, D.C.

Respectfully submitted,



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