

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**  
**September 8, 2008**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-13168**

**In the Matter of**

**VIKTOR NOVOSSELOV**  
**(A/K/A DAVID**  
**MARKOWITZ),**

**Respondent.**

**ORDER INSTITUTING PUBLIC**  
**ADMINISTRATIVE PROCEEDINGS**  
**PURSUANT TO SECTION 15(b) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934,**  
**AND NOTICE OF HEARING**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Viktor Novosselov, also known as David Markowitz (“Novosselov” or “Respondent”).

**II.**

After an investigation, the Division of Enforcement alleges that:

1. Assuming the alias David Markowitz, Novosselov held himself out as the president and chief executive officer of unregistered broker-dealer Blue Square Management, Inc. (“Blue Square”) from approximately January 2001 through February 2004. During this period, Blue Square operated as a purported New York City-based venture capital firm specializing in underwriting initial public offerings. Neither Blue Square nor Novosselov were registered in any capacity with either the Commission or the National Association of Securities Dealers (“NASD,” now known as FINRA). Novosselov, 41 years old, resided in the New York City metropolitan area prior to his current incarceration.

2. On April 9, 2007, a judgment was entered by consent against Novosselov, permanently enjoining him from future violations of Sections 5(a), 5(c), and 17(a) of the Securities

Act of 1933 (“Securities Act”), Sections 10(b), 15(a) and 15(c) of the Exchange Act and Rule 10b-5 thereunder, in the civil action entitled Securities and Exchange Commission v. Viktor Novosselov, et al., Civil Action Number 3:05-CV-951, in the United States District Court for the District of Connecticut.

3. The Commission’s complaint alleged, among other things, that:

a. Novosselov orchestrated a fraudulent offering of “pre-IPO” stock via the purported New York City-based venture capital firm Blue Square. Between approximately January 2001 and February 2004, one or more persons identifying themselves as David Markowitz, an officer of Blue Square, cold-called potential investors across the country and solicited their investments in the securities of a fictitious ATM management company. Blue Square provided investors with false and misleading statements that erroneously led investors to believe that their investments would quickly generate high returns due to an expected initial public offering and/or buy-out proposal. In fact, neither the promised initial public offering nor the highly anticipated buy-out ever materialized, as the purported ATM management company was entirely fictitious and had no actual operations.

b. After raising approximately \$3.7 million from over 280 investors, Blue Square disconnected its phone lines and vacated its offices without leaving any forwarding information. Investors were unable to contact anyone at Blue Square after that time.

c. 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. None of the money was used for the benefit of investors.

d. By engaging in such conduct, Novosselov 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.

4. On November 10, 2005, Novosselov pled guilty to one count of conspiracy to commit mail fraud, securities fraud and money laundering in violation of Title 18 of the United States Code Section 371 and one count of securities fraud in violation of Title 15 of the United States Code Sections 77q(a) and 77x, before the United States District Court for the District of Connecticut, in United States v. Viktor Novosselov, Crim. Information No. 3:05-CR-00019. On April 11, 2007, a judgment in the criminal case was entered against Novosselov, and on April 24, 2007, an amended judgment was entered against him in the same case. Novosselov was sentenced to a prison term of 54 months followed by three years of supervised release and ordered to pay restitution in the amount of \$3,602,425.

5. The counts of the criminal information to which Novosselov pled guilty alleged, among other things, that Novosselov defrauded investors and obtained money and property by means of materially false and misleading statements, that he used the United States

mails to send false and misleading promotional materials and account statements, and that he caused commercial interstate carriers to deliver investors' checks to him.

### **III.**

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations; and

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act.

### **IV.**

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within

the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Florence E. Harmon  
Acting Secretary