

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

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In the Matter of the Arbitration Between

Name of Claimant

Frank Oravec c/f Matthew Oravec, UGMA/PA

95-05013

Name of Respondents

Redstone Securities, Inc.  
Vincent Calvaruso

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CASE SUMMARY

In a case filed with the National Association of Securities Dealers, Inc. on October 23, 1995, claimant Frank Oravec c/f Matthew Oravec, UGMA/PA ("claimant"), who appeared Pro Se, alleged that respondents Redstone Securities, Inc. ("Redstone") and Vincent Calvaruso ("Mr. Calvaruso") deliberately misrepresented a stock for the purpose of influencing him to purchase that security. Claimant further alleged that on June 15, 1994, he received a cold call from Mr. Calvaruso who tried to persuade him to purchase Teltronics, Inc. Claimant also alleged that he told Mr. Calvaruso that he was 62 years old, had a UGMA account for his son with Waterhouse Securities ("Waterhouse") and did not need another account. Claimant asserted that in spite of his resistance, Mr. Calvaruso continued to press him by stating that he personally knew the owners of Teltronics and that he was aware of a buyout offer that would result in the stock doubling within the next two to six months. Claimant further asserted that Mr. Calvaruso's persistence continued and he purchased 3,000 shares of Teltronics, Inc. for \$2,255.00. Claimant also asserted that shortly after his purchase Teltronics had a 1/25 reverse split and was immediately trading at \$9.00 compared to the adjusted cost of \$18.75. Claimant contended that he contacted Redstone's Compliance Officer Gabriel Iozzone ("Mr. Iozzone") to complain about the unethical tactics used by Mr. Calvaruso. Claimant further contended that as a result of contacting Mr. Iozzone, Mr. Calvaruso called him to say how great the split was for him and that he would see in the next two to six months how much money he would make because of him. Claimant also contended that after several days the stock dropped to \$5.75. Claimant alleged on July 7, 1994, he contacted Redstone's President Thomas Laundrie ("Mr. Laundrie") who did not seem to care about his situation. Claimant further alleged that Mr. Laundrie put him through to Gary Purcell who did not seem to care either. Claimant also alleged that Mr. Calvaruso had a fiduciary responsibility to know that the \$.75 stock he was recommending was not suitable for a custodial account or a person close to his age.

Respondents Redstone Securities, Inc. and Vincent Calvaruso (collectively referred to as "respondents"), through their representative and counsel Charles M. O'Rourke, Esq., a sole practitioner located in Garden City, New York, maintained that they acted entirely in good faith in making an investment recommendation based upon available public information. Respondents further maintained that claimant was an experienced investor who maintained an account at Waterhouse and made his own buy and sell

decisions. Respondents also maintained that claimant requested information on a company called F & E Resources, and after discussing the stock with Mr. Calvaruso, decided not to buy. Respondents contended that claimant then asked Calvaruso for a recommendation so he mentioned Teltronics, Inc. Respondents further contended that after Mr. Calvaruso's explanation of Teltronics, claimant purchased 3,000 shares at \$.75 per share. Respondents also contended that five days later, Teltronics announced a reversed split its stock of 1 for 25. Respondents maintained the Mr. Calvaruso did not, nor did any other broker, have prior knowledge of this reverse stock split. Respondents further maintained that the first disclosure report filed by Teltronics appeared on June 20, 1994, when it was required to file its news announcement with the SEC and NASDAQ. Respondents also maintained that a broker or brokerage firm should not be held responsible for stock market losses when new information is disclosed by a company which effects the stock price.

### **RELIEF REQUESTED**

Claimant Frank Oravec c/f Matthew Oravec UGMA/PA requested \$2,255.00 for the original transaction cost; \$2,255.00 for compensatory charges which represents the doubling of his investment that Vincent Calvaruso predicted.

Respondents Redstone Securities, Inc. and Vincent Calvaruso requested that the claims of the claimant be dismissed in their entirety

### **AWARD**

Pursuant to Section 13 of the NASD, Inc. Code of Arbitration Procedure, a single Public Arbitrator, Robert Sughrue, was selected to review the matter in controversy between the parties set forth in submissions to Arbitration signed by the claimant Frank Oravec c/f Matthew Oravec UGMA/PA on October 12, 1995, and by the respondents Redstone Securities, Inc. and Vincent Calvaruso on November 15, 1995.

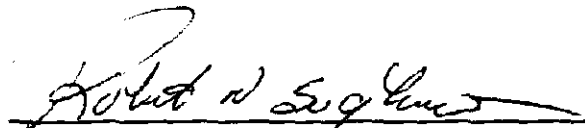
And, the Arbitrator, having considered the proof of the parties, has decided and determined in full and final resolution of the issues submitted for determination as follows:

1. Respondents Redstone Securities, Inc. and Vincent Calvaruso are jointly and severally liable and shall pay to the claimant Frank Oravec c/f Matthew Oravec, UGMA/PA \$2,255.00 in actual damages.
2. Respondents Redstone Securities, Inc. and Vincent Calvaruso are jointly and severally liable and shall pay to the claimant Frank Oravec c/f Matthew Oravec, UGMA/P interest rate of 4.5% per annum from June 15, 1994 until the date of payment.
3. All other relief requests are denied.
4. Claimant Frank Oravec c/f Matthew Oravec UGMA/Pa shall, in conjunction with receiving payment, surrender to respondents Redstone Securities, Inc. and Vincent Calvaruso the Teltronics stock.

5. The \$150.00 filing fee previously deposited with the National Association of Securities Dealers, Inc. by the claimant Frank Oravec c/f Matthew Oravec, UGMA/PA shall be retained by the NASD, Inc. Respondents Redstone Securities, Inc. and Vincent Calvaruso are jointly and severally liable and shall pay to the claimant \$75.00 as reimbursement for one-half the filing fee.

**AFFIRMATION**

I, **ROBERT N. SUGHRUE**, do hereby affirm upon my oath as arbitrator that I am the individual described herein and who executed this instrument, which is my oath and award.

  
Robert N. Sughrue

Date of Decision: October 8, 1996