

NATIONAL ASSOCIATION OF SECURITIES DEALERS

National Association of  
Securities Dealers, Inc.  
Suite 1680  
Three First National Plaza  
Chicago, IL 60602  
(312) 899-4440

In the Matter of the Arbitration Between

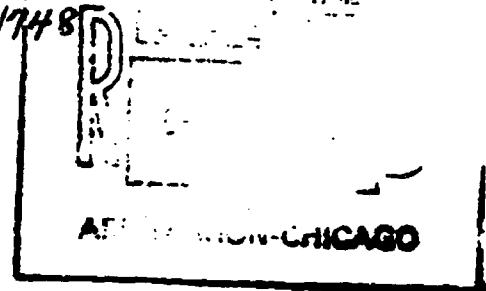
Name of Claimant(s)

Henry Halbing Salzarulo Ira Rollover  
John W. Kenney, M.D.  
William A. Fagan, Jr.  
Larry B. Lehr  
Bruce McGill,  
Eric R. Spielhagen

Name of Respondent(s)

Rauscher Pierce Refsnes, Inc.  
Donaldson Lufkin & Jenrette Securities  
Underwood Neuhaus & Co., Incorporated  
Blunt Ellis & Loewi Incorporated  
Dain Bosworth, Inc.  
Legg Mason Wood Walker, Inc.

89-01742 89-01743  
89-01746  
89-01747  
89-01748

**CASE SUMMARY**

In a claim filed with the NASD, Henry Halbing Salzarulo IRA Rollover, J. Kenney, M.D., W. Fagan, Jr., L. Lehr, B. McGill, and E. Spielhagen (collectively "Claimants") alleged that Rauscher Pierce Refsnes, Inc., Donaldson Lufkin & Jenrette Securities, Underwood Neuhaus & Co., Incorporated, Blunt Ellis & Loewi Incorporated, Dain Bosworth, Inc. and Legg Mason Wood Walker, Inc. (collectively "Respondents") as underwriters in connection with the public offering of 7,000,000 shares of Common Stock of Residential Resources Mortgage Investments Corporation, omitted and misrepresented material facts in connection with such security which was relied upon by the Claimants in purchasing the security causing them severe financial losses.

In an answer filed with the NASD, the Respondents denied all allegations of wrongdoing alleged by the Claimants and asserted: 1) Claimants are not entitled to NASD jurisdiction; 2) the claim lacks facts sufficient to constitute a cause of action against the Respondents; 3) Claimants waived their right to compel arbitration by delaying their demand for arbitration to the prejudice of the Respondents until the litigation of substantial issues had gone forward; 4) Respondent fulfilled its duty to act with reasonable

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care and that it made reasonable and diligent investigation in connection with the initial public offering; 5) complete relief cannot be granted to the parties to this Arbitration unless certain directors, officers, and affiliates of the public company are joined in this action; 6) Respondents used due care in its communications with Claimants; 7) the awarding of punitive damages is prohibited; 8) Claimants failed to plead facts with sufficient particularity to establish malice, fraud, oppression, or bad faith sufficient to support an award of punitive or exemplary damages; 9) Claimants failed to mitigate their damages; 10) Claimants failed to fully and adequately perform their duties and obligations owed to the Respondents; 11) Claimants are estopped from asserting the claims for relief in the Statements of Claim; and, 12) Claimants have delayed to Respondents' detriment in their assertion of whatever rights they have against the Respondents with respect to the matters described in the Statements of Claim and are barred by the doctrine of laches from seeking the relief requested in the Statements of Claim.

#### PROCEDURAL SUMMARY

Respondents in this matter made a Motion To Dismiss on the grounds that the Claimants failed to opt of the classwide settlement of the Residential Resources shareholder litigation and are, therefore, barred from further prosecution of this arbitration.

#### RELIEF REQUESTED

Claimants requested actual damages in excess of \$180,000, plus punitive damages, attorneys fees, interest, and expenses of arbitration.

Respondents requested payment of attorneys' fees and costs.

#### BOARD

On October 15, 1990, in Dallas, Texas during a hearing lasting a total of one (1) session, the undersigned arbitrators heard the controversy between the parties as set forth in submissions to arbitration signed on June 7, 1989 by John W. Kenney, M.D., on June 9, 1989 by William A. Fagan, Jr., on June 8, 1989 by Eric R. Spielhagen, on June 12, 1989 by Larry B. Lehr, on June 7, 1989 by Henry Halbing Salzarulo, M.D., and on June 7, 1989 by Bruce McGill,

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(Claimants) and, signed on October 18, 1989 by Charles A. Bacigalupo on behalf of Legg Mason Wood Walker, Inc., on October 18, 1989 by Robert Wilson on behalf of Underwood, Neuhaus & Co. Incorporated, on October 17, 1989 by Constance D. Shannon on behalf of Blunt Ellis & Loewi Incorporated, on October 17, 1989 by Sharon Shumway on behalf of Rauscher Pierce Refsnes, Inc., on October 17, 1989 by Anthony F. Daddino on behalf of Donaldson, Lufkin & Jenrette Securities Corporation, and on October 17, 1989 by Mary Alice Brophy on behalf of Dain Bosworth Incorporated, (Respondents).

The arbitration panel, having considered the pleadings, the testimony, and the evidence presented at the hearing, has decided in full and final resolution of the issues submitted for determination as follows:

1. Respondents' Motion To Dismiss is hereby granted.

Pursuant to Section 43(c) of the Code of Arbitration Procedure the National Association of Securities Dealers, Inc. shall retain the hearing session deposits in the following amounts previously deposited with the NASD by the Claimants:

\$400.00 deposited by William A. Fagan;  
200.00 deposited by Larry B. Lehr;  
400.00 deposited by Bruce McGill;  
200.00 deposited by Eric R. Spielhagen;  
200.00 deposited by John W. Kenney, M.D.; and,  
500.00 deposited by Henry Halbing Salzarulo Ira Rollover.

Arbitrator(s) Signature

Date

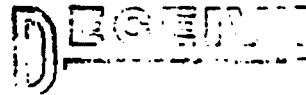
Fred S. Harless December 3, 1990.  
Fred S. Harless

Henry F. Zimmerman

David T. Gentry

**NASD**

Arbitration



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12/1/90

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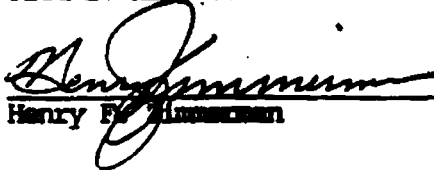
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Arbitrator(s) Signature

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Henry F. Harless

12/6/90

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12-4-90