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October 13, 1998

The Honorable Arthur Levitt
Chairman's Office
US Securities and Exchange Commission
450 Fifth Street NW
Washington, D.C. 20549

RE: Release No. 34-39371; File No. SR-NASD-97-47

Dear Chairman Levitt:

This is to supplement my prior letter to you dated June 16, 1998 regarding the proposed rule by the NASD to cap punitive damages in securities arbitration claims at an amount equal to the lesser of two times the compensatory damages or $750,000.00. Some very recent developments in NASD arbitration proceedings need to be brought to the attention of the SEC prior to the time you make your decision on this rule proposal.

I am enclosing for your review certain statistics recently distributed by the NASD at a training program that I attended on Friday October 9, 1998. I would direct your attention to the column titled punitive damages awarded in NASD customer arbitration cases from 1992 through August, 1998. You will notice that in 1997 and through the first 8 months of 1998 the amount of punitive damages awarded in NASD customer arbitration cases has increased significantly. In my view, this is attributable to one factor: arbitrators awarding significantly more punitive damages against penny stock firms in these cases. In 1997, we know that in one decision against the principals of Stratton Oakmont, an arbitration panel awarded 10 Million Dollars in punitive damages. Although I am not aware of the NASD currently keeping statistics relating to punitive damages against "penny stock firms", I believe that at least a majority, if not a significant majority of the punitive damages awarded in 1997 were against penny stock firms and their corrupt employees.

However, when it comes to 1998, I have more reliable information. Within the last four months, NASD arbitration panels have awarded significant punitive damages against penny stock firms and their employees. The following is a brief summary of those cases and the amount of punitive damages awarded:

Howard v. Stratton Oakmont	$10.5 Million punitive damages
Fenker v. Sterling Foster	$ 5.0 Million punitive damages

Lars Jonsson v. Stratton Oakmont	$ 2.0 Million punitive damages
Szpakowski v. Sterling Foster	$ 1.4 Million punitive damages
Kallio v. Porush	$ 1.5 Million punitive damages
Emmett v. Duke & Co.	$ 5.0 Million punitive damages
Smurzinski v. Kensington Wells	$ 1.0 Million punitive damages

These cases alone account for $26.4 Million out of the 38 Million Dollars in punitive damages awarded through August of 1998 or approximately 69%.

The SEC must understand that if you choose to accept the NASD rule proposal capping punitive damages you will dramatically restrict a punitive remedy that is being used more and more frequently by NASD arbitrators against the most notorious penny stock firms and the most corrupt brokers in the United States.

As I've requested before, I hope you and the SEC deny the NASD proposed rule capping punitive damages and continue to give arbitrators the unfettered right to punish the worst brokers and brokerage firms as they deem appropriate.

Very truly yours,

Mark E. Maddox

MEM:jmk
cc: Senator Susan Collins
Representative Edward Markey
Representative John Dingle
Commissioner Paul Carey
Commissioner Isaac Hunt
Commissioner Norman Johnson
Commissioner Laura Unger
Attorney General Dennis Vacco
Director Joseph Borg
Ms. Mary Schapiro
Mr. Barry Goldsmith
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