

BEFORE THE  
STATE OF WISCONSIN  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
DIVISION OF SECURITIES

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In the Matter of  
RICHARD S. STRONG,  
STRONG CAPITAL MANAGEMENT, INC.,  
STRONG INVESTOR SERVICES, INC.,  
STRONG INVESTMENTS, INC.,  
THOMAS J. HOOKER, and  
ANTHONY J. D'AMATO

ORDER OF REVOCATION  
OF SECURITIES AGENT AND  
INVESTMENT ADVISER  
REPRESENTATIVE LICENSES  
AND UNDERTAKING

Respondents.

File No. S-03209(LX)

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Based upon the attached Petition for Order and Waiver and Consent to Order, I find that this action is necessary and appropriate in the public interest and for the protection of investors;

Therefore, pursuant to secs. 551.34(1) and 551.63, Wis. Stats.,

IT IS ORDERED THAT:

1. The securities agent license of Richard S. Strong is hereby revoked.
2. The investment adviser license of Richard S. Strong is hereby revoked.
3. The securities agent license of Thomas A. Hooker is hereby revoked.
4. The securities agent license of Anthony J. D'Amato is hereby revoked.
5. In determining whether to accept the Waivers and Consents to Orders, the Division of Securities has considered the following efforts voluntarily undertaken by the Strong Funds:
  - a. The Strong Funds shall operate in accordance with the following governance policies and practices:
    - i) No more than 25 percent of the members of the Board of Directors of any Strong fund will be persons who either (a) were directors, officers or employees of SCM at any point during the preceding 10 years or (b) are interested persons as defined in the Investment Company Act, of the fund or of SCM. In the event that the Board of Directors fails to meet this requirement an any time due to the death, resignation, retirement or removal of any independent Director, the independent Directors will take such steps as may be necessary to bring the board in compliance with a reasonable period of time;

- ii) No chairman of the Board of Directors of any Strong fund will either (a) have been a director, officer or employee of SCM at any point during the preceding 10 years or (b) be an interested person, as defined in the Investment Company Act, of the fund or of SCM or any fund advised by SCM; and
  - iii) Any person who acts as counsel to the independent Directors of any Strong fund will be an “independent legal counsel” as defined by Rule 0-1 under the Investment Company Act.
- b. The Boards of Directors of any Strong fund shall maintain separate committees primarily dedicated to the oversight of the investment operations of particular categories of funds. Persons who either (a) were directors, officers or employees of SCM at an point during the preceding 10 years or (b) are interested persons, as defined in the Investment Company Act, of the fund or of SCM will not comprise a majority of, or serve as chairman of, any such committee. Each such committee will, among its duties, identify any compliance issues that are unique to the category of funds under its review and work with the appropriate board committee (e.g. the Audit and Pricing Committee) to ensure that any such issues are properly addressed.
- c. No action will be taken by the Board of Directors of any Strong fund or by any committee thereof unless such action is approved by a majority of the members of the Board of Directors or of such committee, as the case may be, who are not either (i) persons who were directors, officers or employees of SCM at any point during the preceding 10 years or (ii) interested persons, as defined in the Investment Company Act, of the fund or of SCM. In the event that any action proposed to be taken by and approved by a vote of a majority of the independent Directors of a fund is not approved by the full Board of Directors, the fund will disclose such proposal and the related board vote in its shareholder report for such period.
- d. Commencing in 2005 and not less than every fifth calendar year thereafter, each Strong fund will hold a meeting of shareholders at which the Board of Directors will be elected.
- e. Each Strong Fund will designate a member of the independent administrative staff reporting to its Board of Directors as being responsible for assisting the Board of Directors and any of its committees in monitoring compliance by SCM with the federal securities laws, its fiduciary duties to shareholders and its Code of Ethics in all matters relevant to the operation of the investment company. The duties of this staff member will include reviewing all compliance reports furnished to the Board of Directors or its committees by SCM, attending meetings of SCM’s Internal Compliance Controls Committee to be established pursuant to SCM’s undertakings set forth in Section 7.f.ii. below, serving as liaison between the Board of Directors and its committees and the Chief Compliance officer of SCM, making such recommendations to the Board of Directors regarding SCM’s compliance procedures as may appear advisable from time to time, and promptly reporting to the Board of Directors any material breach of fiduciary duty, breach

of the Code of Ethics and/or violation of the federal securities laws of which he or she becomes aware in the course of carrying out his or her duties.

6. Independent Compliance Consultant. SCM and SII have undertaken as follows:
- a. SCM and SII shall retain, within 90 days of the date of entry of the Order, the services of an Independent Compliance Consultant not unacceptable to the staff of the U.S. Securities and Exchange Commission (“the Commission”) and the independent Directors of the Strong funds. The Independent Compliance Consultant’s compensation and expenses shall be borne exclusively by SCM or its affiliates. SCM and SII shall require the Independent Compliance Consultant to conduct a comprehensive review of SCM’s and SII’s supervisory, compliance, and other policies and procedures designed to prevent and detect breaches of fiduciary duty, breaches of the Code of Ethics and federal securities law violations by SCM and SII and their employees. This review shall include, but shall not be limited to, a review of SCM’s and SII’s market timing controls across all areas of its business, a review of the Strong funds’ pricing practices that may make those funds vulnerable to market timing, and a review of the Strong funds’ utilization of short term trading fees and other controls for deterring excessive short term trading. SCM and SII shall cooperate fully with the Independent Compliance Consultant and shall provide the Independent Compliance Consultant with access to its files, books, records, and personnel as reasonably requested for the review.
  - b. SCM and SII shall require that at the conclusion of the review, which in no event shall be more than 120 days after the date of entry of the Order, the Independent Compliance Consultant shall submit a Report to SCM, SII, the Directors of the Strong funds, and the staff of the Commission. The Report shall address the issues described in subparagraph 6.a. of these undertakings, and shall include a description of the review performed, the conclusions reached, the Independent Compliance Consultant’s recommendations for changes in or improvements to policies and procedures of SCM, SII, and the Strong funds, and a procedure for implementing the recommended changes in or improvements to SCM’s and SII’s policies and procedures.
  - c. SCM and SII shall adopt all recommendations with respect to SCM contained in the Report of the Independent Compliance Consultant; provided, however, that within 150 days after the date of entry of the Order, SCM and SII shall in writing advise the Independent Compliance Consultant, the Directors of the Strong funds and the staff of the Commission of any recommendations that they consider to be unnecessary or inappropriate. With respect to any recommendation that SCM or SII consider unnecessary or inappropriate, SCM or SII need not adopt that recommendation at that time but shall propose in writing an alternative policy, procedure or system designed to achieve the same objective or purpose.
  - d. As to any recommendation with respect to SCM’s (or SII’s) policies and procedures on which SCM (or SII) and the Independent Compliance

Consultant do not agree, such parties shall attempt in good faith to reach an agreement within 180 days of the date of entry of the Order. In the event SCM (or SII) and the Independent Compliance Consultant are unable to agree on an alternative proposal acceptable to the staff of the Commission, SCM (or SII) will abide by the determinations of the Independent Compliance Consultant.

- e. SCM and SII (i) shall not have the authority to terminate the Independent Compliance Consultant, without the prior written approval of the independent Directors and the staff of the Commission; (ii) shall compensate the Independent Compliance Consultant, and persons engaged to assist the Independent Compliance Consultant, for services rendered pursuant to the Order at their reasonable and customary rates; (iii) shall not be in and shall not have an attorney-client relationship with the Independent Compliance Consultant and shall not seek to invoke the attorney-client or any other doctrine or privilege to prevent the Independent Compliance Consultant from transmitting any information, reports, or documents to the Directors or the Commission.
- f. SCM and SII shall require that the Independent Compliance Consultant, for the period of the engagement and for a period of two years from completion of the engagement, shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with Strong, SCM, SII, SIS or any of their present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. Any firm with which the Independent Compliance Consultant is affiliated in performance of his or her duties under the Order shall not, without prior written consent of the independent Directors and the staff of the Commission, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Strong, SCM, SII, SIS or any of their present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

7. Periodic Compliance Review. SCM and SII have undertaken that, commencing in 2005, and at least once every other year thereafter, SCM and SII shall undergo a compliance review by a third party, who is not an interested person, as defined in the Investment Company Act, of SCM or SII. At the conclusion of the review, the third party shall issue a report of its findings and recommendations concerning SCM's and SII's supervisory, compliance, and other policies and procedures designed to prevent and detect breaches of fiduciary duty, breaches of the Code of Ethics and federal securities law violations by SCM, SII and their employees in connection with their duties and activities on behalf of and related to the Strong funds. Each such report shall be promptly delivered to SCM's Internal Compliance Controls Committee and to the Audit Committee of the Board of Directors of each Strong fund.

8. SCM undertakes to retain, within 30 days of the entry of the Order, the services of an Independent Distribution Consultant not unacceptable to the staff of the Commission and the independent Directors of the Strong funds. The Independent Distribution Consultant's compensation and expenses shall be borne exclusively by SCM. SCM shall cooperate fully with the Independent Distribution Consultant and shall provide the Independent Distribution

Consultant with access to its files, books, records, and personnel as reasonably requested for the review.

- a. SCM shall require that the Independent Distribution Consultant develop a Distribution Plan for the distribution of all the disgorgement and penalties provided for in the Order, and any interest or earnings thereon, according to a methodology developed in consultation with SCM and acceptable to the staff of the Commission and the independent Directors of the investment company. The Distribution Plan shall provide for investors to receive, in order of priority, (i) their proportionate share of losses from market-timing, and (ii) a proportionate share of advisory fees paid by funds that suffered such losses during the period of such market timing.
- b. SCM shall require that the Independent Distribution Consultant submit a Distribution Plan to SCM and the staff of the Commission no more than 100 days after the date of entry of the Order.
- c. The Distribution Plan developed by the Independent Distribution Consultant shall be binding unless, within 130 days after the date of entry of the Order, SCM or the staff of the Commission advises, in writing, the Independent Distribution Consultant of any determination or calculation from the Distribution Plan that it considers to be inappropriate and states in writing the reasons for considering such determination or calculation inappropriate.
- d. With respect to any determination or calculation with which SCM or the staff of the Commission do not agree, such parties shall attempt in good faith to reach an agreement within 160 days of the date of entry of the Order. In the event that Strong or SCM and the staff of the Commission are unable to agree on an alternative determination or calculation, the determinations and calculations of the Independent Distribution Consultant shall be binding.
- e. SCM shall require that, within 175 days of the date of entry of this Order, the Independent Distribution Consultant submit the Distribution Plan for the administration and distribution of disgorgement and penalty funds pursuant to Rule 1101 [17 C.F.R. sec. 201.1101] of the Commission's Rules of Practice. Following a Commission order approving a final plan of disgorgement, as provided in Rule 1104 [17 C.F.R. sec. 201.1104] of the Commission's Rules of Practice, SCM shall require that the Independent Distribution Consultant, with SCM, take all necessary and appropriate steps to administer the final plan for distribution of disgorgement and penalty funds.
- f. SCM shall require that the Independent Distribution Consultant, for the period of the engagement and for a period of two years from completion of the engagement, not enter into any employment, consultant, attorney-client, auditing or other professional relationship with Strong, SCM, SII, and SIS, or any of their present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. SCM shall require that any firm with which the Independent Distribution Consultant is affiliated in performance of his or her duties under the Order not, without prior written consent of the independent Directors and the staff

of the Commission, enter into any employment, consultant, attorney-client, auditing or other professional relationship with SCM or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of engagement and for a period of two years after the engagement.

9. Penalties and Disgorgement. Strong and SCM shall pay the penalties and disgorgement as required by the Securities and Exchange Commission Order In the Matter of Strong Capital Management, Inc., et al. Instituting Administrative and Cease-and-Desist Proceedings, Remedial Sanctions and Cease-And-Desist Orders dated May 20, 2004.

10. SIS has undertaken to file with the Commission within 365 days of the issuance of this Order, a notice of withdrawal from registration on Form TA-W in accordance with the instructions contained thereon.

11. Certification and Extension of Procedural Dates. SCM, SII, and SIS have undertaken that, no later than twenty-four months after the date of entry of the Order, their chief executive officers shall certify to the Commission in writing that SCM, SII, and SIS, respectively, have fully adopted and complied in all material respects with the undertakings set forth in this Order and with the recommendations of the Independent Compliance Consultant or, in the event of material non-adoption or non-compliance, shall describe such material non-adoption and non-compliance. For good cause shown, the Commission's staff may extend any of the procedural dates set forth above.

12. Record-keeping. SCM and SII have undertaken to preserve for a period not less than six years from the end of the fiscal year last used, the first two years in an easily accessible place, any record of their compliance with the undertakings set forth in this Order.

13. Other Obligations and Requirements. Nothing in this Order shall relieve SCM, SII, SIS, or any Strong fund, Strong, Hooker or D'Amato of any other applicable legal obligation or requirement, including any ruled adopted by the Commission subsequent to this Order.

EXECUTED at Madison, Wisconsin this 21<sup>st</sup> day of May, 2004.

(SEAL)



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Patricia D. Struck  
Administrator  
Division of Securities

NOTICE:

You are advised that any willful violation of an Order issued by the Administrator of the Division of Securities of the State of Wisconsin Department of Financial Institutions under Ch. 551, Wis. Stats., is a criminal offense punishable under the provisions of sec. 551.58, Wis. Stats.