

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

---

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

PETITION FOR ORDER

Respondents.

File No. S-03209(LX)

---

The staffs of the Bureau of Licensing & Compliance and the Enforcement Unit, Bureau of Registration & Enforcement, of the Division of Securities, Department of Financial Institutions, State of Wisconsin have conducted an investigation in this matter pursuant to sec. 551.56, Wis. Stats., and as a result thereof allege as follows.

1. Richard S. Strong (“Strong”) is a licensed investment adviser representative and securities agent (CRD #1465578), and a resident of Brookfield, Wisconsin.
2. Strong Capital Management, Inc. (“SCM”) is a federally registered investment adviser (CRD #106638) located at 100 Heritage Reserve, Menomonee Falls, WI 53051.
3. Strong Investors Services, Inc. (“SIS”) is a Wisconsin corporation located at 100 Heritage Reserve, Menomonee Falls, WI 53051. It provides transfer services to SCM.
4. Strong Investments, Inc. (“SII”) is a Wisconsin licensed broker-dealer (CRD #15658) located at 100 Heritage Reserve, Menomonee Falls, WI 53051.
5. SCM, SIS, and SII are all wholly owned subsidiaries of Strong Financial Corporation.
6. At all times material hereto, Strong was majority shareholder of Strong Financial Corporation and until December 2003 was the Director, Chairman and Chief Investment Officer of SCM.
7. SCM is the investment adviser to a series of open-ended management investment companies known as the Strong Family of Mutual Funds (the “Strong Funds”). Strong was the Chairman and a Director of each of the Strong Funds.
8. Thomas A. Hooker (“Hooker”) is a licensed securities agent (CRD #1646151), with a last known business address at that of SCM, who was SCM’s Director of Compliance until December 2001 and then became SCM’s Head of Compliance.

9. Anthony J. D'Amato ("D'Amato") is a licensed securities agent (CRD #1974266) with a last known business address at that of SCM, who at all times material hereto, was a member of the SCM Office of the CEO.
10. Since the inception of the Strong Funds, Strong has had discretionary authority to direct investments in certain investor accounts, which have invested in those funds (the "Accounts").
11. Starting in at least May 1999, the prospectuses for the Strong Funds contained language to discourage market timing. For instance, a provision in the "Reserved Rights" section read as follows:

We reserve the right to:

Reject any purchase request for any reason, including exchanges from other Strong Funds. Generally we do this if the purchase or exchange is disruptive to the efficient management of a fund (due to the timing of the investment or an investor's history of excessive trading).

12. Starting in May 2002, the Strong Enterprise Fund prospectus also contained a specific section that defined "Market Timers":

**Market Timers**

The Fund will consider the following factors to identify market times: shareholders who have (1) requested an exchange out of the fund within 30 days of an earlier exchange request, (2) exchanged shares out of a fund more than twice in a calendar quarter (3) exchanged shares equal to at least \$5 million or more than 1% of a fund's net assets, or (4) otherwise seem to follow a timing pattern. Shares under common ownership or control are combined for purposes of these factors."

13. Other Strong Funds had prospectus language relating to market timers and fund disruption substantially identical to that of the Enterprise Fund.
14. During at least the years 1999 to 2001, Strong invested the Accounts in certain Strong Funds in a manner that reflected short-term investment strategies and/or practices that were inconsistent with the prospectuses, which focused on a long-term investment strategy.
15. Strong's actions in causing the Accounts to actively trade in certain Strong Funds during 1999 to 2001, provide a basis, pursuant to sec. 551.34(2), Wis. Stats., for the revocation of his securities agent and investment adviser representative licenses.
16. SCM, SIS and SII's actions in not preventing the trading from taking place provide a basis, pursuant to sec. 551.63, Wis. Stats., for the imposition of certain requirements in connection with their continued operation in the state.

17. As head of compliance, Hooker was aware of Strong's activities but failed to prevent him from continuing to actively trade in the Funds.
18. During recent investigations into timing activities at Strong, Hooker was responsible for providing documents to counsel for review and subsequent production to the securities investigators. Hooker failed to inform the investigators of Strong's timing activities in a timely manner.
19. Hooker's actions in failing to prevent Strong's trading activity and then failing to produce the requested documentation provide a basis, pursuant to sec. 551.34(2), Wis. Stats., for the revocation of his securities agent license.
20. D'Amato, as a member of the Office of the CEO, enabled an individual to time the Strong Funds.
21. D'Amato's actions, in enabling this activity when it was specifically prohibited by the mutual fund prospectuses, provide a basis, pursuant to sec. 551.34(2), Wis. Stats., for the revocation of his securities agent license.

THEREFORE, the staffs of the Bureaus of Licensing & Compliance and Registration & Enforcement petition the Administrator to issue an Order in this matter.

DATED this 20<sup>th</sup> day of May, 2004.



Judith A.L. Wilson  
Examiner  
Bureau of Licensing & Compliance



David A. Cohen  
Supervising Attorney  
Bureau of Registration & Enforcement