UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 49741 / May 20, 2004

INVESTMENT ADVISERS ACT OF 1940
Release No. 2239 / May 20, 2004

INVESTMENT COMPANY ACT OF 1940
Release No. 26448 / May 20, 2004

ADMINISTRATIVE PROCEEDING
File No. 3-11498

IN THE MATTER OF STRONG CAPITAL MANAGEMENT, INC., STRONG INVESTOR SERVICES, INC., STRONG INVESTMENTS, INC., RICHARD S. STRONG, THOMAS A. HOOKER, JR. AND ANTHONY J. D'AMATO RESPONDENTS.

ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND CEASE-AND-DESIST ORDERS PURSUANT TO SECTIONS 15(b)(4), 15(b)(6), 15B(c)(4), 17A(c)(3) AND 17A(c)(4)(C) OF THE SECURITIES EXCHANGE ACT OF 1934, SECTIONS 203(e), 203(f) AND 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940, AND SECTIONS 9(b) AND 9(f) OF THE INVESTMENT COMPANY ACT OF 1940

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b)(4), 15(b)(6), 15B(c)(4), 17A(c)(3) and 17A(c)(4)(C) of the Securities Exchange Act of 1934 ("Exchange Act"), Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 ("Advisers Act"), and Sections 9(b) and 9(f) of the Investment Company Act of 1940 ("Investment Company Act") against Strong Capital Management, Inc. ("SCM"), Strong Investor Services, Inc. ("SIS"), Strong Investments, Inc. ("SII"), Richard S. Strong ("Strong"), Thomas A. Hooker, Jr. ("Hooker") and Anthony J. D'Amato ("D'Amato") (collectively, "Respondents").

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement ("Offers"), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over them and the subject matter of these proceedings, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Making Findings, and Imposing Remedial Sanctions and Cease-and-Desist Orders Pursuant to Sections 15(b)(4), 15(b)(6), 15B(c)(4), 17A(c)(3) and 17A(c)(4)(C) of the Securities Exchange Act of 1934, Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940, and Sections 9(b) and 9(f) of the Investment Company Act of 1940 ("Order"), as set forth below.

III.

On the basis of this Order and Respondents' Offers, the Commission finds1 that:

Overview

1. This is a proceeding against Strong and the entities he controlled: SCM, a registered investment adviser to the Strong Funds Complex, which consists of the family of Strong mutual funds; SIS, SCM's transfer agent; and SII, a registered broker-dealer and distributor of the Strong mutual funds (collectively, the "Strong entities"), Hooker, SCM's former Chief Compliance Officer and D'Amato, SCM's Executive Vice President, based on (1) SCM's failure to disclose to the Strong funds' boards or shareholders the conflicts of interest created when SCM allowed hedge fund manager Edward Stern and the hedge funds Canary Capital Partners, LLP and Canary Capital Partners, Ltd. (collectively, "Canary") to market time certain Strong funds in order to obtain non-mutual fund business from Edward Stern and his family; (2) SCM's and Strong's failure to disclose that Strong was frequently trading certain funds to the detriment of the funds and their shareholders; (3) SCM's and Strong's making of misleading disclosures that would lead reasonable shareholders to believe that market timing of the Strong funds would be discouraged, without disclosing that Strong and, in the case of SCM, Canary would be allowed to engage in such conduct; (4) SCM's dissemination to Canary of the non-public portfolio holdings for the funds Canary traded to the possible detriment of the funds and their shareholders; (5) SIS's and SII's aiding and abetting of certain of SCM's violations; (6) Hooker's aiding and abetting of certain of Strong and SCM's violations; and (7) D'Amato's aiding and abetting of certain of SCM's violations.

2. Market timing includes (a) frequent buying and selling of shares of the same mutual fund or (b) buying or selling mutual fund shares in order to exploit inefficiencies in mutual fund pricing. Market timing, while not illegal per se, can harm other mutual fund shareholders because (a) it can dilute the value of their shares, if the market timer is exploiting pricing inefficiencies, (b) it can disrupt the management of the mutual fund's investment portfolio, and (c) it can cause the targeted mutual fund to incur costs borne by other shareholders to accommodate the market timer's frequent buying and selling of shares.

3. In violation of their fiduciary duties to the Strong funds and their shareholders, Strong frequently traded, and SCM allowed Strong and Canary to frequently trade, shares of the Strong funds. From December 2002 to May 2003, under a written agreement, Canary frequently traded four Strong funds, reaping gross profits of $2.7 million and net profits of $1.6 million. By allowing Canary to frequently trade, SCM expected that Canary would make additional investments with the Strong entities in non-mutual fund business. From 1998 through 2001 and in 2003, Strong frequently traded 10 Strong funds, including one over which he was the portfolio manager, making approximately 660 redemptions inconsistent with the limitations of the prospectus in the forty accounts that he controlled. As a result of his trading, Strong had gross profits of $4.1 million and net profits of $1.6 million. SCM failed to disclose Canary's trading agreement, and the inherent conflicts of interest involved in allowing such trading, and Strong and SCM failed to disclose Strong's frequent trading activities, to the Boards of Directors of the Strong funds or to the shareholders of the frequently traded funds.

4. Since at least 1998, the Strong entities have consistently and openly discouraged market timing of the Strong mutual funds. The Strong fund prospectuses state that the funds reserve the right to refuse trades for excessive trading, and several versions of the prospectuses defined excessive trading in detail. Moreover, SIS implemented procedures that detected and expelled numerous market timers from the Strong funds, and informed numerous fund shareholders and prospective fund shareholders, orally and in writing, that they could not frequently trade the funds and would be banned for engaging in such trading. The prospectus disclosures coupled with the openly-enforced market timing policing procedures would lead a reasonable investor to believe that the Strong funds would not allow market timing. Further, counsel for the Strong entities told employees, including Strong himself, that frequent trading of the Strong funds was inappropriate and that they should be mindful that they should not be viewed as receiving more favorable treatment than other shareholders. The failure to disclose that Strong and Canary were allowed to frequently trade rendered SCM's and SIS's statements discouraging market timing materially misleading.

5. Further, SCM lacked adequate controls to prevent the misuse of nonpublic information for the funds traded by Canary. Specifically, Canary had the advantage of having access to the full month-end portfolio holdings of the funds they traded while other shareholders did not. Canary was given the

portfolio holdings by SCM employees for the funds they traded, despite SCM's policy not to disseminate portfolio holdings to shareholders except at designated times during the year.

6. This is the second time that Strong and SCM have placed their interests before the interests of mutual fund investors. Strong and SCM were the subjects of prior disciplinary action. On June 12, 1994, Strong and SCM (at the time doing business as Strong/Corneliuson Capital Management, Inc.) consented to the entry of an order, without admitting or denying the findings, which found that they engaged in a pattern of improper affiliated securities transactions between some of the Strong funds and a hedge fund in which Strong had a substantial personal interest.2 They were censured and ordered to cease and desist from violating, among other things, the antifraud provisions of the Advisers Act.

Respondents

7. Richard S. Strong, age 62 and a resident of Brookfield, Wisconsin, founded SCM in 1974. During the relevant period, he was a person associated with SCM, SIS and SII. Strong served as SCM's Chairman since October 1991 and its Chief Investment Officer since 1996. Strong was also a supervisor of SCM's equity portfolio managers. Effective November 2, 2003, the independent directors of the Boards of Directors of the Strong investment companies accepted his resignation as Chairman of the Board of Directors, although he remained a director. On December 2, 2003, Strong resigned as a director of the Strong funds and from all positions held at SCM and the Strong entities.

8. Strong Capital Management, Inc., a Wisconsin corporation and wholly owned subsidiary of Strong Financial Corporation ("SFC"), has been registered with the Commission as an investment adviser since 1974. SCM has approximately 1000 employees and serves as the investment adviser to 27 registered investment companies, consisting of 71 mutual funds (the Strong Funds Complex). Until his resignation on December 2, 2003, the Boards of Directors of the Strong investment companies consisted of Strong and five independent directors. As discussed above, SCM has been the subject of prior disciplinary action.

9. Strong Investor Services, Inc., a Wisconsin corporation and wholly owned subsidiary of SFC, is registered with the Commission as a transfer agent. SIS provides transfer agent and record keeping services for SCM and the Strong Funds Complex.

10. Strong Investments, Inc., a Wisconsin corporation and wholly owned subsidiary of SFC, is registered with the Commission as a broker-dealer. SII provides brokerage services and distributes the Strong funds. Among other things, SII sells municipal securities in the form of qualified tuition plans commonly known as 529 Plans.

11. Thomas A. Hooker, Jr., age 47, is a resident of Brookfield, Wisconsin. During the relevant time period, he was a person associated with SCM. He was SCM's Director of Compliance from 1996 through November 2001 and Chief Compliance Officer from December 2001 through February 2004. Hooker's compliance duties included serving as SCM'S preclearance officer and a member of the Code of Ethics Review Committee and supervising SCM's Code of Ethics Administrator. SCM placed Hooker on administrative leave in February 2004.

12. Anthony J. D'Amato, age 37, is a resident of Elm Grove, Wisconsin. D'Amato has been employed with the various Strong entities since 1989. During the relevant time period, D'Amato was a person associated with SCM and SII. He was one of SCM's Executive Vice Presidents in the Office of the CEO and a Vice President of SII. D'Amato has approximately a 1.55% equity interest in SFC. Among other things, D'Amato was responsible for establishing the trading arrangement between SCM and Canary. He also supervised individuals employed by the Strong entities who facilitated Canary's frequent trading of the Strong funds.

Facts

A. Strong Entities' Policies Against Frequent Trading Prospectus Disclosures

13. The Strong entities utilized various methods to communicate to shareholders that the Strong funds considered market timing to be inappropriate. At least since 1998, the Strong funds' prospectuses contained language cautioning shareholders that "market timers" would be identified, that frequent trading may be "detrimental" or "disruptive" to the funds, and that the funds reserved the right to reject purchases or exchanges for any reason, including due to the timing of an investment or an investor's history of excessive trading. While the fund prospectuses for the funds traded by Strong and Canary did not expressly prohibit frequent trading (described as both market timing and excessive trading in the prospectuses), the disclosures would lead a reasonable shareholder to conclude that the Strong entities discouraged market timing and would likely reject "excessive" fund purchases by any shareholder.

Market Timing Police

14. SCM, through its wholly-owned transfer agent SIS, implemented procedures to monitor certain funds for market timing. The monitoring procedures employed by SIS differed depending on whether the trading occurred in the accounts of retail customers, i.e., investors who purchased shares directly from SIS, or in the accounts of intermediary customers, i.e., third-party intermediaries such as broker-dealers who have agreements in place to sell Strong funds. The timing police monitored four international funds on the retail side of the business and nine funds, including domestic and international, on the intermediary side.

15. Generally, if SIS's market timing police determined that a shareholder was frequently trading, SIS would warn, or ask the intermediary broker-dealer to warn, the shareholder to stop trading in that manner. The market timing police would issue either an oral or written warning, or both. If the shareholder continued to frequently trade, SIS would undertake efforts to ban the shareholder from trading one or more of the Strong funds.

16. The Strong entity employees who orally warned shareholders against frequent trading generally explained to these shareholders that frequent trading hurts other fund shareholders and that it could be disruptive to a portfolio manager's investment strategy. For instance, one employee, in warning a shareholder not to frequently trade in a Strong fund, explained that "what ends up happening, that disrupts the effective trading for the portfolio manager. They need to know, basically, what money is going to be available to trade in, to buy and sell stocks that day, and when there's a buy in and sell out within a few days that prevents them from being able to do that...." The employee further told the shareholder that "this frequent in and out of mutual funds really hurts all of the other investors in that fund, so we have to ask that that pattern of trading not take place." Another shareholder whose frequent trading was deemed to be "alarming" by the Strong entities was advised that "when mutual funds are purchased, they're usually for long term investments [because among other things] the portfolio manager needs to know what's available to them from one day to the next." This shareholder was also told that frequent trading "ends up hurting other investors in the fund" and warned that his trading would be prohibited if his frequent trading pattern continued.

Employee Trades of Strong Funds

17. Strong entities' employees, including Strong, were cautioned against frequent trading of the Strong funds and warned that their trading may be restricted if they engaged in such trading. At least as early as 1999, the Strong entities told employees that frequent trading of the Strong funds was unacceptable because, among other things, it increased fund expenses and disrupted portfolio managers' investment strategies.

18. First, in February 1999, in response to frequent trading by some Strong entities' employees in their 401(k) accounts, an attorney for the Strong entities disseminated an e-mail message to all employees, including Strong, reminding them that "the Strong Funds are not to be used as short-term trading vehicles. This is true for all of your accounts with the Strong Funds, taxable and tax-exempt. Short-term

trading increases the fund's expenses and can be disruptive to the portfolio manager's ongoing investment program for the fund." The message continued, "we have seen a recent increase in trading by some associates in 401(k) accounts and we intend to begin monitoring this activity closely. Should this activity continue, we may have to take further action, such as restricting trading privileges for any associates [employees] involved in short-term trading."

19. Second, in December 1999, another Strong entities' attorney advised employees against frequent trading. In an e-mail message to all employees, including Strong, he stated "a common problem we have seen with the new funds in the past is investors switching in and out of them on short-term basis, which complicates the portfolio manager's investment program. Presumably, these investors are trying to time the market....We are actively taking steps to limit switching by our shareholders, but we also believe that Strong Associates [employees] need to be above reproach on this issue...please note that trading activity in the funds by Associates will be monitored for inappropriate activity, both directly and through our retirement plans."

20. The Strong entities also conveyed this message cautioning against frequent trading on its website through which Strong 401(k) investors could effect transactions in the Strong funds through their accounts. This website, known as "Strong netDirect," displayed the following message regarding frequent trading:

One of the benefits of mutual fund investing is the ease by which you can change your investments in light your [sic] investment outlook. It is common, and perfectly acceptable, for associates to reallocate their 401(k) investments to meet their changing financial needs. However, an excessive number of exchanges by any shareholder can be detrimental to our funds and can increase the fund's and the firm's expenses. This is particularly true with equity funds, and most financial experts will tell you that trying to "time" the equity markets is not a prudent strategy for long-term success. What is excessive will depend on the situation, but daily or weekly "flipping" in equity funds is not appropriate. We monitor associate trading and will contact any associate whose trading appears excessive under the circumstances. In the event that excessive trading becomes an issue, the firm reserves the right to impose specific trading limitations.

21. A former SCM employee, whose frequent trading online in his 401(k) account was identified by Strong entities' employees, received a letter from a Strong entities' attorney containing the cautionary statement in paragraph 20 and advising him that he would not be permitted to make further trades of the Strong funds if he did not alter his trading activity.

22. Finally, the Strong entities told all employees, including Strong, that they had legal and ethical obligations when trading in the Strong funds. Although not addressing frequent trading specifically, a Strong entities' attorney sent an e-mail that served as a reminder to employees about their legal and ethical obligations when investing in the Strong funds and communicated that they needed to be "sensitive when investing in the Strong Funds, particularly to ensure that there is no appearance that you are getting more favorable treatment or terms than we give to any other investors." Further, counsel reminded employees that they should comply with fund prospectuses when making transactions.

23. Thus, the Strong entities made it plain and unambiguous to employees they should not engage in frequent trading of the Strong funds and that their trading could be restricted as a consequence of such trading.

B. Strong's Frequent Trading

24. During the relevant time period, Strong was Chairman of the Strong Funds Complex, Chief Investment Officer and a supervisor of the equity portfolio managers. As a fiduciary of the Strong Funds Complex, Strong's conduct was governed by, among other things, SCM's Code of Ethics, which obligated him to "avoid serving [his] own personal interests ahead of the Advisory Clients of SCM." He knew of the Strong entities' policies disfavoring market timing as reflected in fund prospectus disclosures and that such trading was inappropriate.

25. Strong also knew of the internal policies implemented and communicated by the Strong entities to deter market timing. For instance, in 1999, a Strong entities' attorney advised Strong of employees who had been frequently trading in their 401(k) accounts. The attorney explained that allowing SCM employees to market time would be a breach of SCM's fiduciary duty since the Strong entities ejected other market timing shareholders, and potentially a violation of federal securities laws. The attorney told Strong that he was taking measures to prevent these employees from further such trades, including sending an e-mail to all employees that they should not frequently trade any of the Strong funds. Strong received this and the other e-mail communications discussed in paragraphs 18, 19 and 22 above, which advised SCM employees not to frequently trade Strong funds.

26. Nevertheless, from 1998 to 2001, and in 2003, Strong engaged in frequent trading of 10 Strong funds in 40 accounts that he managed for himself, family and friends, often selling shares fewer than 30 days after purchasing them in a fund. On some occasions, he sold shares only one trading day after a purchase. He typically traded hundreds of thousands of dollars worth of fund shares per trade, and on at least one occasion, the value of a short-term round trip trade3 exceeded $1 million.

27. Strong also made frequent trades in the Discovery Fund while he was the portfolio manager. Strong was the Discovery Fund portfolio manager from at least March 1998 to August 2000. In March and April 1998, Strong made at least 13 redemptions in the Discovery Fund, which was inconsistent with the limitations of that fund's prospectus, realizing profits of approximately $374,000 and $291,000 in net gains.

28. Over the six-year period, Strong engaged in at least 660 redemptions inconsistent with the limitations of the prospectuses of the Strong funds. In total, Strong made profits of $4,117,176 and net gains of $1,603,628 from his frequent trading of the Strong funds.

29. Neither Strong nor the Strong entities disclosed Strong's frequent trading to the Boards of Directors of the Strong funds or to Strong fund shareholders and the millions of dollars in profits that he realized as a result.

30. In 2000, Hooker, SCM's Director of Compliance at the time, noted Strong's frequent trading in a compliance review. Hooker informed Strong entities' in-house counsel, who was also the Chief Compliance Officer and his supervisor, of Strong's trading. In-house counsel told Strong that his frequent trading was taking profits from other investors and cautioned him that he should stop trading in this manner. At that time, Strong agreed that he would stop frequently trading the Strong funds. In-house counsel directed Hooker to monitor Strong's trading activity to ensure that he had stopped frequently trading.

31. Despite counsel's advice and his claim that he would stop frequently trading, Strong's abusive trading practices continued. In fact, from 2000 to 2003, Strong engaged in most of his frequent trading, making approximately 599 redemptions inconsistent with the limitations of the fund prospectuses.

32. Although Hooker was directed to monitor Strong's trading, he failed to follow up on this problem to ensure that Strong's trading activity had in fact stopped. There were no compliance measures implemented to monitor or prohibit his frequent trading activity, such as a review of his mutual fund trades to determine whether they were inconsistent with the prospectuses for the funds he traded or in breach of his fiduciary duties to the Strong funds and their shareholders.

C. Canary's Frequent Trading

33. In October 2002, Stern called the customer service number for SCM to arrange a meeting to discuss investing millions of dollars in the Strong Funds Complex. D'Amato and another high-level executive in SCM's Office of the Chief Executive Officer met with Stern and his associate to discuss Canary's proposed investments and trading strategy. Specifically, Stern explained that Canary wanted to actively trade certain Strong funds and that it would invest millions of dollars for this purpose. Additionally, he discussed the possibility of other non-mutual fund investments with the Strong entities, such as hedge fund or in cash management investments.

34. Following the meeting, Stern identified to D'Amato 19 funds that Canary wanted to trade. D'Amato then directed a subordinate to poll the portfolio managers of the 19 funds to determine whether they would permit Canary to trade their funds on a "frequent" basis. The subordinate, believing that such an exception to allow frequent trading should not be made, told D'Amato that "we don't want to encourage things like that here at Strong." D'Amato did not change his mind, however, so the subordinate fulfilled D'Amato's directive and asked the portfolio managers whether they would permit Canary's trading. While most portfolio managers denied Stern's request, citing such reasons as disruptiveness caused by frequent trading or difficulty monitoring the activity, one portfolio manager agreed to Canary trading four of his funds4 as long as the trading was within certain parameters.

35. Consequently, SCM entered into a trading agreement that allowed Canary the ability to frequently trade. SCM established parameters for Canary's trading based on input from the portfolio manager of the funds that Canary would be allowed to engage in frequent trading. These parameters, which included the funds Canary could frequently trade and limiting Canary's position to 1% of the assets in a fund, were memorialized in a November 26, 2002 letter from SCM's Manager for Private Client Services to one of Canary's employees, which was received and approved by D'Amato. Under the agreement, Canary invested in the Growth Fund, Growth 20 Fund, Advisor Mid Cap Growth Fund, and Large Cap Growth Fund ("Growth Funds").

36. Beginning in December 2002, Canary opened two accounts at SII, investing $9.35 million in the Strong funds: Nichols Point Associates, LLC ("Nichols Point") on December 6, 2002 and Emu Capital, LLC ("Emu") on May 8, 2003. On December 20, 2002, Canary used $4.64 million of $9.35 million invested in the Nichols Point account to trade the Growth Funds. Canary opened a third account entitled African Grey Capital Associates, LLC ("African Grey") on March 1, 2003.

37. Between December 2002 and May 2003, Canary engaged in approximately 135 round trip trades of these funds. There were at least four trades in which it bought and sold fund shares on consecutive days. As a result of its frequent trading, Canary realized $2.7 million in gross profits and $1.6 million in net gains. During the time period it was frequently trading Strong funds, Canary invested $500,000 in Strong Special Investment LP, one of Strong's hedge funds, through the African Grey account.

38. During the period of Canary's trading, D'Amato acted as Canary's primary contact with SCM. As such, D'Amato occasionally made inquiries of Canary to determine whether Canary would make additional investments with the Strong entities. Moreover, as an internal email made clear, D'Amato was the individual at Strong designated as the "conduit for additional opportunity" with Canary.

39. To enable Canary's frequent trading, the Strong entities contravened several of their policies and procedures. First, SCM allowed Canary to make frequent trades despite the disclosures in the Growth Funds' prospectuses that market timing or excessive trading could be disruptive or detrimental to the funds. At the time Canary traded, these prospectuses contained the following disclosure: "We reserve the right to...[r]eject 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 the Fund (due to the timing of the investment or an investor's history of excessive trading)." Further, the prospectuses denote several factors that the Funds will consider to identify "market timers": "shareholders who (1) have requested an exchange out of the Fund within 30 days of an earlier exchange request; (2) have exchanged shares out of the Fund more than twice in a calendar quarter; (3) have exchanged shares equal to at least $5 million or more than 1% of the 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." The prospectuses neither stated nor suggested that the funds would make exceptions for large shareholders from whom Strong entities desired to obtain additional business.

40. Had these disclosures in the prospectuses been applied to Canary's trading, Canary would have been identified as a "market timer." D'Amato knew that, by allowing Canary to frequently trade Strong funds, SCM was making an exception to the Strong entities' policies and procedures disfavoring frequent trading. D'Amato had not before or since negotiating the Canary trading agreement allowed other shareholders the ability to frequently trade the Strong funds. Moreover, during this time, other shareholders who attempted to engage in frequent trading of these funds did not have a special timing

agreement as did Canary and were prohibited from such trading. Nevertheless, D'Amato and SCM entered into an agreement with Canary that other shareholders could not.

41. Second, at SII's direction, SIS circumvented its market timing policing procedures to allow Canary to frequently trade. Because Canary's accounts were domiciled at SII, they were considered to be intermediary accounts. Thus, two of the Growth Funds traded by Canary were subject to monitoring by the timing police. The timing police detected Canary's frequent trading of at least one of the Growth Funds. Unaware of the Canary agreement, SIS attempted to block several of his trades in this fund and impose a ban on future trades through the clearing agent for the Strong entities. SIS's instructions to ban Canary's trades, however, were reversed by SII. In each instance, SII informed SIS and the clearing agent that Canary's account was allowed "special permission to buy and sell at any time." Moreover, SCM's clearing broker recognized that an exception to allow Canary to market time was being made at SCM. In an internal email, the clearing broker wrote "they [SCM] are bringing in a client who will be worth 3 billion over all to them...He will be actively trading Strong funds....Normally, we would recognize this as market timing." Accordingly, SIS disregarded its procedures and permitted Canary to purchase fund shares irrespective of the fact that the trades met its criteria for timing as well as the criteria set forth in the prospectuses.

42. Third, SCM also provided Canary with the Growth Funds' portfolio holdings on seven occasions between November 2002 and June 2003. The dissemination of the portfolio holdings to Canary was contrary to its policy. According to SCM's policy, the portfolio holdings were only disseminated to fund shareholders via the semi-annual and annual reports filed with the Commission. Otherwise, SCM did not provide this information to individual investors. Nevertheless, SCM employees provided Canary with the holdings.

D. SCM Failed to be Forthcoming Regarding Strong's Frequent Trading

43. Beginning on September 5, 2003, the Commission staff conducted an on-site examination of SCM regarding market timing at the Strong entities. On the first day of the examination, the Commission examination staff requested information about all market timers and market timing or frequent trading activity of the Strong funds. The examination staff followed up on their initial request for this information on several occasions.

44. Notwithstanding these requests by the Commission staff, the Strong entities did not disclose to the Commission staff that Strong had frequently traded Strong funds until October 10, 2003.

45. Hooker was primarily responsible for gathering and producing documents responsive to the Commission staff's requests. He knew of Strong's frequent trading at least as early as 2000. Further, he was aware of, and in fact had reviewed, documents reflecting Strong's frequent trading of the Strong funds well before these requests for information regarding market timing. However, Hooker failed to provide the Commission with these documents or any information regarding Strong's frequent trading pursuant to the requests by the Commission staff.

Violations

46. As a result of the conduct described in Section III above, SCM willfully violated Sections 206(1) and 206(2) of the Advisers Act, while acting as an investment adviser, in that it employed devices, schemes, or artifices to defraud clients or prospective clients; and engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon clients or prospective clients. First, SCM failed to disclose to the Strong funds' boards or shareholders the conflicts of interest created when it accepted Canary's market timing money to generate advisory fees and attract additional business from Canary and the Stern family. Second, SCM failed to disclose to the Strong funds' boards or shareholders Strong's frequent trading in the funds. In addition, SCM failed to disclose Strong's conflict of interest by engaging in frequent trading in the Discovery Fund while he acted as the fund's portfolio manager and the conflicts of interest inherent in such trading. Third, SCM failed to disclose that Canary received month-end portfolio holdings information in the funds he traded, whereas other shareholders were not provided or otherwise privy to the same information pursuant to SCM policy. Fourth, the fund

prospectuses reinforced by the Strong entities' express policies disfavoring frequent trading were materially misleading in that they failed to disclose that SCM would make exceptions in instances where they benefited Strong and SCM.

47. As a result of the conduct described in Section III above, Strong willfully violated Sections 206(1) and 206(2) of the Advisers Act, while acting as an investment adviser, in that he employed devices, schemes, or artifices to defraud clients or prospective clients; and engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon clients or prospective clients. First, Strong failed to disclose to the Strong funds' boards or shareholders his frequent trading in the funds. In addition, Strong failed to disclose his conflict of interest by engaging in frequent trading in the Discovery Fund while he acted as the fund's portfolio manager and the conflicts of interest inherent in such trading. Second, Strong's failure to disclose his frequent trading rendered the fund prospectuses, as reinforced by the Strong entities' express policies disfavoring frequent trading, materially misleading.

48. As a result of the conduct described in Section III above, SIS and SII willfully aided and abetted and caused SCM's violations of Sections 206(1) and 206(2) of the Advisers Act. Specifically, SIS and SII knew of Canary's frequent trading, but allowed it to continue despite the limitations set forth in fund prospectus disclosures and SIS's market timing prevention policy.

49. As a result of the conduct described in Section III above, Hooker willfully aided and abetted and caused Strong and SCM's violations of Section 206(2) of the Advisers Act. Specifically, although Hooker was directed to monitor Strong's trading by his supervisor, he failed to follow up on Strong's trading activity to ensure that it had in fact stopped. He failed to implement compliance measures to monitor or prohibit Strong's frequent trading activity, such as reviewing his mutual fund trades to determine whether they were inconsistent with the prospectuses for the funds he traded or in breach of his fiduciary duties to the Strong funds and their shareholders. This, among other things, allowed Strong's frequent trading of the Strong funds to continue.

50. As a result of the conduct described in Section III above, D'Amato willfully aided and abetted and caused SCM's violations of Sections 206(1) and 206(2) of the Advisers Act. Specifically, D'Amato provided Canary with access to the Strong entities to market time certain Strong funds by helping to arrange the trading agreement with Canary despite his knowledge of SCM's prospectus disclosures and SCM's policies relating to market timing. D'Amato knew that Canary was allowed to market time whereas other shareholders were warned or banned from the Strong funds for engaging in such trading.

51. As a result of the conduct described in Section III above, SCM willfully violated Section 204A of the Advisers Act in that it, while acting as an investment adviser, failed to establish, maintain, and enforce written policies and procedures reasonably designed, taking into consideration the nature of such investment adviser's business, to prevent the misuse of material, non-public information by such investment adviser or any person associated with such investment adviser. Specifically, SCM had inadequate procedures in place to control disclosure of the Strong funds' non-public portfolio holdings and, in fact, actively released portfolio holdings to Canary for the funds it frequently traded.

52. As a result of the conduct described in Section III above, SCM willfully violated Section 34(b) of the Investment Company Act in that it made untrue statements of a material fact and omitted to state facts necessary in order to prevent the statements made, in the light of the circumstances under which they were made, from being materially misleading in any registration statement, application, report, account, record, or other document filed with the Commission or the keeping of which is required pursuant to Section 31(a) of the Investment Company Act. SCM failed to disclose to the funds' boards or shareholders the conflicts of interest created by the trading agreement with Canary and Strong's frequent trading in the Discovery Fund while he acted as the fund's portfolio manager. SCM also violated this provision by making materially misleading statements in the Strong funds' prospectuses, which are filed with the Commission. As discussed above, the prospectuses of the funds traded by Canary and Strong would lead a reasonable investor to believe that market timing was discouraged when, in fact, SCM allowed Canary and Strong to engage in frequent trading.

Undertakings

53. In determining whether to accept the Offer, the Commission has considered the following efforts voluntarily undertaken by the Strong Funds:

The Strong funds shall operate in accordance with the following governance policies and practices:

- 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 at 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 within a reasonable period of time;
- 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
- 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.

The Boards of Directors of the Strong funds 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 any point during the preceding 10 years or (b) are interested persons, as defined in the Investment Company Act, of the funds 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 committees (e.g. the Audit and Pricing Committee) to ensure that any such issues are properly addressed.

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 neither (i) persons who were directors, officers or employees of SCM at any point during the preceding 10 years nor (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.

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.

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 fund 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 IV 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.

54. Independent Compliance Consultant. SCM and SII have undertaken as follows:

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 Commission and a majority of 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.

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 54.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.

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.

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.

SCM and SII (i) shall not have the authority to terminate the Independent Compliance Consultant, without the prior written approval of a majority 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.

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.

55. Periodic Compliance Review. SCM and SII have undertaken that, commencing in 2005, and at least once every other year thereafter, SCM and SII will 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.

56. SCM undertakes to retain, within 30 days of the date of 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.

SCM shall require that the Independent Distribution Consultant develop a Distribution Plan for the distribution of all of 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.

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.

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.

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.

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. § 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. § 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.

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 the engagement and for a period of two years after the engagement.

57. 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.

58. 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 paragraphs 53 through 57 above 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 in paragraphs 53 through 57 above.

59. 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 paragraphs 53 through 58 above.

IV.

In view of the foregoing, the Commission deems it appropriate in the public interest and for the protection of investors to impose the sanctions agreed to in Respondents' Offers. Accordingly, it is hereby ORDERED, effective immediately, that:

Pursuant to Section 203(e) of the Advisers Act, SCM is hereby censured;

Pursuant to Section 15(b)(4) of the Exchange Act, SII is hereby censured;

Pursuant to Section 17A(c)(3) of the Exchange Act, SIS is hereby censured;

Pursuant to Section 203(k) of the Advisers Act and Section 9(f) of the Investment Company Act, SCM shall cease and desist from committing or causing any violations and any future violations of Sections 204A, 206(1) and 206(2) of the Advisers Act and Section 34(b) of the Investment Company Act;

Pursuant to Section 203(k) of the Advisers Act, Strong shall cease and desist from committing or causing any violations and any future violations of Sections 206(1) and 206(2) of the Advisers Act;

Pursuant to Section 203(k) of the Advisers Act, Hooker shall cease and desist from committing or causing any violations and any future violations of Section 206(2) of the Advisers Act ;

Pursuant to Section 203(k) of the Advisers Act, D'Amato shall cease and desist from committing or causing any violations and any future violations of Sections 206(1) and 206(2) of the Advisers Act ;

Pursuant to Section 203(k) of the Advisers Act, SIS and SII shall cease and desist from committing or causing any violations and any future violations of Sections 206(1) and 206(2) of the Advisers Act;

Pursuant to Section 15(b)(6), 15B(c)(4) and 17A(c)(4)(C) of the Exchange Act, Section 203(f) of the Advisers Act and Section 9(b) of the Investment Company Act, Richard Strong be, and hereby is barred from association with any broker, dealer, municipal securities dealer, transfer agent or investment adviser, and is prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter, provided however, that Strong may continue to hold his ownership interest in SCM, SII and SIS until March 1, 2005.

Any reapplication for association by Strong will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against Strong, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

Pursuant to Section 203(f) of the Advisers Act and Section 9(b) of the Investment Company Act, Thomas A. Hooker, Jr., be, and hereby is barred from association with any investment adviser, and is prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter.

Any reapplication for association by Hooker will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against Hooker, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

Pursuant to Section 15(b)(6) of the Exchange Act, Section 203(f) of the Advisers Act and Section 9(b) of the Investment Company Act, Anthony J. D'Amato be, and hereby is barred from association with any broker, dealer, or investment adviser, and is prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor5 of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter.

Any reapplication for association by D'Amato will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against D'Amato, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

Respondent Strong shall pay disgorgement in the amount of $30 million and a civil money penalty in the amount of $30 million to the United States Treasury. Strong shall pay $15 million within 30 days of the entry of this Order, $15 million on or before February 1, 2005, and $30 million on or before May 30, 2005. Respondent SCM shall, on or before February 1, 2005, pay disgorgement in the amount of $40 million and a civil money penalty in the amount of $40 million to the United States Treasury. Respondent Hooker shall, within 30 days of the entry of this Order, pay a civil money penalty in the amount of $50,000 to the United States Treasury. Respondent D'Amato, within 30 days of the entry of this Order, shall pay disgorgement of $375,000 and a civil money penalty in the amount of $375,000. Such payments shall be: (A) made by United States postal money order, certified check, bank cashier's check, bank money order or wire transfer; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Alexandria, Stop 0-3, VA 22312; and (D) submitted under cover letter that identifies Strong, SCM, Hooker and D'Amato as Respondents in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Robert J. Burson, Senior Associate Regional Director, Securities and Exchange Commission, 175 West Jackson Blvd., Chicago, IL 60604. Pursuant to Rule 1100, such civil money penalty may be distributed pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002 ("Fair Fund distribution"). Regardless of whether any such Fair Fund distribution is made, amounts ordered to

be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents Strong, SCM, Hooker and D'Amato agree that they shall not, after offset or reduction in any Related Investor Action for the amount of the disgorgement paid by them, further benefit by offset or reduction of any part of the civil penalty paid by them ("Penalty Offset"). If the court in any Related Investor Action grants such an offset or reduction, Respondents Strong, SCM, Hooker and D'Amato agree that they shall, within 30 days after entry of a final order granting the offset or reduction, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed against Respondent in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondents Strong, SCM, Hooker and D'Amato by or on behalf of one or more investors based on substantially the same facts as alleged in the Order in this proceeding.

SCM, SII and SIS shall comply with the undertakings set forth in paragraphs 54 through 59 above.

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

By the Commission.

Jonathan G. Katz
Secretary

Endnotes

1 The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

2 See In the Matter of Strong/Corneliuson Capital Management, Inc., Richard S. Strong, and Bruce Behling, 1994 WL 361971, 57 S.E.C. Docket 394 (June 12, 1994).

3 A round trip trade is one in which the shareholder bought and then sold mutual fund shares. The actual number of round trip trades was much larger because Strong often traded in multiple personal accounts simultaneously on the same days. For example, if Strong purchased mutual fund shares and then sold shares two days later, that transaction is alleged herein to be one round trip trade, even though he may have spread the purchase and sale over two or three different personal accounts on those days.

4 Another portfolio manager also agreed to allow Canary to trade in one of his funds. However, Canary never invested in this fund.

5 The term depositor, as defined in SEC Form N-4, means "the person primarily responsible for the organization of [a unit investment trust] and the person who has continuing functions or responsibilities with respect to the administration of the affairs of [a unit investment trust], other than the trustee or custodian."