

Strong Capital Settlement: How do you handle your payment?

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On May 20, 2004 the SEC settled its case against Strong Capital Management, Inc resulting in a payout of more than \$140 million for distribution to shareholders. While this is welcome financial relief and for some a pleasant surprise, it is important to understand the tax treatment of any payment you receive.

If you held any of the affected funds involved in the settlement from January 1998 through September 2003, you are eligible to receive part of the settlement. You are deemed eligible to receive funds by the Independent Distribution Consultant and will automatically participate in the settlement. You are not required to file anything to see if you are eligible and payment will be automatically sent to you.

Checks will come in a variety of ways and made payable to you in various ways; therefore, the tax consequences vary as well. Some people may receive multiple checks, but each check may be handled differently.

Tax note:

If the check is cashed or deposited in any account other than an account eligible to receive the check, a 10% penalty will be incurred and taxed as ordinary income. Please consult your tax advisor relating to transfers and rollovers to avoid the 10% penalty. Also you will not receive a Form 1099 for the advisory fee component of the distribution, so please contact your tax advisor on how to report the taxable portion of the advisory fee.

➤ **Distributions to Individual Retirement Arrangement (IRA) accounts**

- ✓ **Checks payable to custodian but mailed to you**
 - Forward check to your custodian with letter of instruction

- ✓ **Checks payable to you and mailed to you**
 - If check was made out to you (not the custodian of your IRA), you should contact the Fair Fund Administrator immediately at 800-555-7718 to get instructions on how to get a replacement check made payable to the custodian of your IRA

➤ **Distributions to Tax-Qualified Retirement Plans (401(k)/profit sharing)**

- ✓ **Checks mailed to your retirement plan**
 - Check would be made payable and mailed to your tax qualified retirement plan. Plan fiduciaries are responsible for allocating these funds appropriately to you.

- ✓ **Checks mailed to you**
 - Check payable to your retirement plan but mailed to you
 - If still a participant in the tax qualified retirement plan, contact your retirement plan administrator to coordinate deposit into your retirement plan account.
 - If no longer a participant, you will likely receive the payment as a rollover, but you should contact administrator of your former retirement plan to determine appropriate course of action.
 - Check payable to you and mailed to you
 - Checks payable to individual investors are likely sent in error. If a distribution check is made payable to you in connection with an investment held by your retirement plan fund, please contact the Fair Fund Administrator immediately at 800-555-7718.

- **More information?** For a list of affected funds and other FAQ's please visit [Strong Settlement Funds](#).

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