

## Tonge Investment Services

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**This brochure provides information about the qualifications and business practices of Tonge Investment Services. If you have any questions about the contents of this brochure, please contact us at 207-877-7762. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Tonge Investment Services also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

Material changes:

There are no material changes since our last annual update in April 2010

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## Advisory Business

Tonge investment services offers investment advisory services or portfolio management to individuals, trusts and retirement plans.

Portfolios are managed on a discretionary basis using our relative strength methodology. Some portfolios also use our T24 options strategy to create income.

Current assets under management, 30 million

### Fees and Compensation:

Our investment management fees are based on the market value of the portfolio. These are billed quarterly in advance of the quarter based on the following sliding scale: less than \$500,000, 1% per year; \$500,000-\$1 million, .7% per year; over \$1 million, .5% per year.

Quarterly fees are billed directly to the accounts and a copy of invoice is sent to clients with their monthly statements. Since fees are charged in advance of service, a refund is made to a client account for any unearned portion of a management fee if the client terminates the contract.

Other fees: Charles Schwab & Co. is custodian for all of our assets. Schwab charges a brokerage fee for transactions that is separate from any management fee we charge. We do not share our fees with Schwab nor do they share their fees with us. In addition to brokerage fees clients may be charged a management fee by a mutual fund if a fund is purchased in the account. This includes traditional mutual funds as well as exchange traded funds or ETFs.

Tonge Investment Services will charge a service fee to clients who use our services only to liquidate securities they hold and not to maintain a management relationship. Other fees including hourly fees may be charged in special situations such as estate valuations and searches for assets.

Performance fees:

There are no performance fees and our current fee schedule

Types of clients

Our clients are mostly individuals or corporate accounts that are controlled by individuals. We maintained a policy of requiring \$50,000 minimum account which we reserve the right to set aside if a situation so warrants.

Methods of Analysis, investment strategies and risk of loss.

All investing involves risk and prospective clients are interviewed to determine what level of risk is going to be appropriate for their accounts. There is no type of investing that we do that does not involve a risk to the principle somebody has invested with us. Even a US Treasury involves risk to principle.

Our primary analysis tool involves relative strength analysis. We believe this is the most reasonable and secure way to manage risk in today's markets. Relative strength analysis is a method of comparing various assets against each other to determine where the best place to put money in is. An important part of our relative strength work is to compare various asset classes such as stocks, bonds, international stocks and currencies against cash. Cash is the only asset that has little or no risk of loss. In our methodology all other assets are considered relative to each other but, most importantly, their relative performance to a cash holding is the bottom line. As asset values of other investments begin to deteriorate, the time comes when cash has the best relative strength and a substantial portion of client accounts may be moved to cash to protect the investment portfolio.

Trading costs at Charles Schwab and Co. are very low and thus do not materially impact our strategies.

T 24: this investment strategy involves purchasing certain securities and writing call options against them to generate income. Although options are considered higher risk investments this strategy involves only "covered calls" which is a strategy approved for individual retirement accounts (IRA). Primarily we use indexes or securities based on indexes and implementing this strategy. Indexes are by nature a less volatile than individual securities.

#### Disciplinary Information:

There have been no disciplinary actions taken by any regulatory agency against the firm or principle of the firm.

#### Financial industry activities and affiliations:

Tonge Investment Services encourages all clients to use Charles Schwab as custodian for their investments. This arrangement is for convenience and has no conflict of interest nature to it. Charles Schwab is an independent broker dealer that provides reporting services and trading services to clients of Tonge Investment Services. There are no minimum training requirements and no money is shared between Charles Schwab and Tonge Investment Services.

Occasionally, clients may need or desire investment services that cannot be reasonably obtained from Tonge Investment Services. In those cases we may recommend other advisers and may be

compensated in some way for that recommendation. Any compensation will be clearly and directly communicated with clients.

Code of Ethics and participation in client transactions and/or personal trading:

Our code of ethics is very simple and straightforward:

We will always act in the best interest of the clients.

Personal Trading:

From time to time we may purchase for our own account the same security or a similar security to one that is being used in client accounts. In most cases we will purchase the security for our own account at the same time and in the same trades that we are purchasing for client accounts. Occasionally, we may make personal investments to take advantage of some short-term activity in the market by using call or put options. In some cases these options may be betting that a security decreases in value while we are still holding this in client accounts. These short-term trades are not appropriate for most client accounts as they involve a high degree of risk that is not appropriate for a long-term managed account. At no time do these trades have adverse affect on any holding that a client has.

We do not get involved in transactions where we are a principal owner of or have a financial interest in the security or entity that is placed in a client account with the exception that we may buy the same security for our own account.

### Brokerage Practices:

We ask all clients to use Charles Schwab and Company as the broker for the accounts we manage. The brokerage fees are among the lowest in the industry and Schwab maintains sufficient SPIC insurance to cover our clients' assets. We selected Schwab many years ago because of their fee structure and the internet trading capabilities that were, at the time, better than any others. Today, other companies have similar capabilities but we prefer to keep all assets at one firm.

There are no 'soft dollar', client referral, directed brokerage or trade aggregation arrangements with anybody.

### Review of Accounts:

Client accounts are reviewed at least quarterly by the principal of the firm. Any material investment situation would also prompt a similar review. For instance, if a bond matures or a merger takes place, portfolios will be reviewed. As new investments are considered, each portfolio has to be reviewed to be sure the investment is appropriate and to determine the amount of security can be purchased.

### Custody:

Tonge Investment Services does not have custody of client funds or securities at any time. Charles Schwab has custody of the securities and they will issue a statement each month which is mailed directly to the



client showing positions and trading activity. We also mail a client statement each month and we encourage clients to compare our statement with the one from Charles Schwab.

#### Investment Discretion:

We have investment discretion on all our client accounts.

#### Proxy Voting of client securities:

We have chosen not to vote client securities and ask that clients do this themselves. We are happy to consult with clients on their votes but will not vote directly for clients.

#### Financial Information:

We are not required to provide audited financial statements to clients because we do not require investment fees be paid more than six months in advance.

#### Wrap fee programs:

We do not have a wrap fee program.

Additional Compensation: All compensation is by asset based fee, a negotiated hourly rate for research projects, or a per trade fee for

certain accounts. There is no outside compensation that could be considered a conflict of interest.

Education and professional background:

Richard Tonge graduated from Colby College in 1980

Professional Background:

1974 Passed first Brokerage Registered Rep exam

1974-1995 worked in family brokerage firm

1995 – Present Owner of Tonge Investment Services

Supervised Employees:

There are no supervised employees who manage accounts.

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