

# Regent Investment Management LLC

4350 Brownsboro Road, Suite 120  
Louisville, KY 40207  
502-719-1000  
[www.regentinvest.com](http://www.regentinvest.com)  
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## **Form ADV Part 2A—Firm Brochure**

This brochure provides information about the qualifications and business practices of Regent Investment Management LLC. If you have questions about the contents of the brochure, please contact us at the above address or [steve@regentinvest.com](mailto:steve@regentinvest.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Regent Investment Management LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 Material Changes**

### Material Changes Since the Last Update

Our last brochure was dated January 1, 2014. Set forth below are the material changes to the brochure dated January 1, 2014.

In Item 4, we expounded on our discussion of our private funds and updated our assets under management.

In Item 10, we added a discussion of other financial industry activities of Mary D. Jones and expounded on our discussion of our private funds.

In Item 12, we expounded on our discussion of brokerage practices, in particular with respect to client requests for brokerage recommendations.

### Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at 502-719-1000 or by email at [steve@regentinvest.com](mailto:steve@regentinvest.com).

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#### **Item 4 Advisory Business**

Regent Investment Management LLC (“Regent”) began operations in mid-2012. Regent’s founding principals have provided the services described herein since 1997. Regent’s principal beneficial owners are Martin N. McClelland, Steven T. Naiser, and Mary D. Jones.

We provide investment supervisory services to and manage investment advisory accounts for individuals, institutions and various other types of entities using a variety of strategies. We do not provide financial planning services. Neither we, nor any of our representatives, serves as an attorney or and accountant, and no portion of our services should be construed as such. In providing investment supervisory services, our strategies include:

- separately-managed accounts for individual client investment objectives,
- momentum strategy, and
- tax-managed strategy.

In providing portfolio management services, Regent uses various types of instruments including:

- equity and equity-like securities,
- warrants,
- corporate debt securities,
- commercial paper,
- certificates of deposit,
- municipal securities,
- mutual fund shares,
- U.S. government securities, and
- option and future contracts and other derivative securities.

For our private funds, we will also short sell stocks, selling a stock we do not own, and purchasing, or buying it back, later.

Each client completes an investment questionnaire as part of opening an account. Regent manages money for clients with individually managed accounts according to their investment goals and risk tolerance. Clients may impose restrictions on investing in certain securities or types of securities. On an ongoing basis, it is the responsibility of each client to notify Regent if there is any change in their financial situation or investment goals and risk tolerance that may result in reviewing and/or revising Regent’s recommendations. Monies invested in one of our private funds are managed according to the strategy for the particular fund.

*Private Funds.* As discussed further below, Regent serves as the general partner for two limited partnerships (referred to interchangeably in this brochure as “limited partnerships” and “private funds”). Participation in these private funds is intended only for qualified persons or entities willing and financially able to assume the risks of a speculative investment with limited liquidity. We may, on a non-discretionary basis, recommend that qualified clients consider allocating a portion of their investment assets to these private funds. The terms and conditions for participation in these private funds, including management and incentive fees, conflicts of interest, and risk factors, are set forth in the funds’ offering documents. Regent’s clients are under no obligation to consider or make an investment in these private funds. The solicitation of offers to purchase interests in the funds will only be made pursuant to a private offering memorandum and related documents.

*Risks.* Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund’s offering documents, which will be provided to each prospective fund investor for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective fund investor will be required to complete a subscription agreement, pursuant to which the investor shall establish that the investor is qualified for investment in the fund, and acknowledges and accepts the various risks that are associated with such an investment.

*Conflict Of Interest.* Because Regent can earn compensation from the private funds (both management fees and performance-based fees) that may exceed the fee that Regent would earn under its percentage of assets under management fee structure referenced in Item 5 below, the recommendation that a client consider allocating a portion of their investment assets in a private fund presents a conflict of interest. No client is under any obligation to become a Fund investor.

Regent managed \$305.5 million in client assets as of June 30, 2014. All assets are managed on a discretionary basis.

## **Item 5 Fees and Compensation**

### **Separately Managed Accounts for Individual Client Investment Objectives**

Regent offers a percentage of assets under management fee structure for its accounts separately managed for your investment objectives. We generally receive an annual management fee equal to 1% of the closing value of the assets under our investment discretion, payable as set forth below. The fee is reduced at certain breakpoints for certain large accounts and in other specific circumstances. For certain asset classes and advisory relationships, the annual fee is reduced to between 0.425% and 0.95%. The fee is payable quarterly in advance (relating to the **future** time period) within the first thirty days after the end of each quarter and is equal to one-fourth of the

applicable annual fee percentage multiplied by the closing value of your assets for the last full monthly period immediately preceding the end of the quarterly period. Your assets will be priced as reported on the statement sent to you by your custodian bank, trust company or brokerage firm, or as published by Interactive Data Corporation, Bloomberg, Yahoo! ® Finance, The Wall Street Journal or such other source we may determine in good faith in our sole discretion on a consistent basis. Certain clients, by agreement, pay management fees quarterly in arrears (relating to the **past** time period). You may select whether you prefer fees to be deducted directly from your account or to be billed for fees incurred. Although we have established the aforementioned fee schedules, we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, and account composition, among other factors. From time to time, we may waive our management fees for principals and officers of our firm as well as their immediate family members.

If your assets are invested in mutual funds, you will pay both a direct management fee to Regent and indirect management fees through the mutual funds.

Fees for the quarter in which the account is opened or terminated will be prorated. If the account is not open as of the last full monthly period immediately preceding the end of the quarterly period, the prorated fee will be calculated based on the most recent closing value of your assets, priced as reported by your custodian bank, trust company, or brokerage firm, or as published by Interactive Data Corporation, Bloomberg, Yahoo! ® Finance, The Wall Street Journal or such other source we may determine in good faith in our sole discretion on a consistent basis.

You will also incur any custodial fees and brokerage and other transaction costs related to trading in your account (for further explanation, please see **Item 12 Brokerage Practices**).

#### Momentum Strategy – Individually Managed Accounts

Regent offers a percentage of assets under management fee structure for its individually managed accounts invested using the momentum strategy. We generally receive an annual management fee equal to 1% of the closing value of the assets under our investment discretion, payable as set forth below. For certain accounts, the fee is reduced to 0.9%. The fee is payable quarterly in advance (relating to the **future** time period) within the first thirty days after the end of each quarter and is equal to one-fourth of the applicable annual fee percentage multiplied by the closing value of your assets for the last full monthly period immediately preceding the end of the quarterly period. Your assets will be priced as reported on the statement sent to you by your custodian bank, trust company or brokerage firm, or as published by Interactive Data Corporation, Bloomberg, Yahoo! ® Finance, The Wall Street Journal or such other source we may determine in good faith in our sole discretion on a consistent basis. Certain clients, by agreement, pay management fees quarterly in arrears (relating to the **past** time period). You may select whether you prefer fees to be deducted directly

from your account or to be billed for fees incurred. Although we have established the aforementioned fee schedules, we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, and account composition, among other factors. We may, from time to time, waive our management fees for our principals, officers and their immediate family members.

If your assets are invested in mutual funds, you will pay both a direct management fee to Regent and indirect management fees through the mutual funds.

Fees for the quarter in which the account is opened or terminated will be prorated. If the account is not open as of the last full monthly period immediately preceding the end of the quarterly period, the prorated fee will be calculated based on the most recent closing value of your assets, priced as reported by your custodian bank, trust company, or brokerage firm, or as published by Interactive Data Corporation, Bloomberg, Yahoo! ® Finance, The Wall Street Journal or such other source we may determine in good faith in our sole discretion on a consistent basis.

You will also incur brokerage and other transaction costs related to trading in your account (for further explanation, please see **Item 12 Brokerage Practices**).

#### Retirement Rollovers and Employer-Sponsored Retirement Accounts

A client or prospective client is under no obligation to engage Regent as the investment adviser for their retirement rollover and/or employer-sponsored retirement accounts. If a client does not engage Regent as the investment adviser and continues to self-direct their retirement account at their employer, the client will not incur a separate advisory fee as discussed above in this Item 5.

Termination of Individually Managed Accounts. Under Regent's current form of investment advisory agreement, either party can terminate the agreement upon 30 days' prior written notice to the other party. If you have paid any management fees in advance, upon termination of the investment advisory agreement, we will refund to you a pro rata portion of the management fee as of the termination date. For example, if you pre pay your fee for a three month billing period but terminate at the end of two months, one-third of your fees will be refunded.

#### Private Funds

Regent serves as the general partner of two limited partnerships. Participation in these private funds is intended only for qualified persons or entities willing and financially able to assume the risks of a speculative investment with limited liquidity.



The private funds provide a percentage of assets under management and performance-based fee structure. Performance-based fees are charged in compliance with Rule 205-3 of the Investment Advisers Act of 1940, as amended.

Regarding the private fund using the momentum strategy, Regent receives an investment performance allocation generally equal to an amount no greater than 20% of the calendar year increase in the account's allocated net assets in excess of a presumed investment return of 8% ("excess return"). However, the performance fee reallocation will be subject to a "high watermark" provision (see example below at the end of this Item 5). If your account value at the beginning of the calendar year is below your "high watermark," or highest previous year-end value, the amount reallocated from your capital account to Regent for the year will be 20% of the amount by which the "excess return" exceeds the amount by which your account began the year below your "high water mark." If the "excess return" is not greater than the amount by which your account began the year below your "high water mark," the amount reallocated from your capital account to Regent for the year will be \$0. In addition, a withdrawal from your capital account results in a proportional decrease in the "high watermark" provision.

High Watermark Example (not based on actual performance)

A client makes an initial contribution of \$1000 on 01/01/2007. Following are the account values for each year ending in 2009 (figures rounded to the dollar).

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Invest Year	Limited Partner Capital Account	Net Capital Appreciation/ (Depreciation)	Presumed Return 8%	Excess Return	Investment Performance Allocation Paid	Capital Account Net Performance Allocation	High Water Mark	Amount Ending Value Is Below High Water Mark
					(D-PRIOR YEAR H) x 20%	(PRIOR YEAR F+B- E)		(G-F)
01/01/07	\$1000					\$1000	\$1000	\$0
12/31/07	\$1330	\$330	\$80	\$250	\$50	\$1280	\$1280	\$0
12/31/08	\$1250	(\$30)	\$102	\$0	\$0	\$1250	\$1280	\$30
12/31/09	\$1600	\$350	\$100	\$250	\$44	\$1556	\$1556	\$0

The initial contribution is \$1000. In 2007, the client's account value increases by \$330 to \$1330. The presumed return of 8% on the \$1000 beginning value is \$80, so the client's excess return is \$250 (\$330 minus \$80). The client pays a 20% performance allocation (\$50) on the \$330 of allocated profits. The client's 2007 ending value is \$1280 (\$1330 minus \$50 performance fee).

In 2008, the client's account value decreases to \$1250 due to allocated losses of \$30. Because there is no "excess return," no performance allocation is taken. The client's ending value is \$30 less than the "high watermark" or previous year-end high value of \$1280. In 2009, the client's account value

increases \$350 to \$1600, above the previous “high watermark.” The presumed return of 8% on the \$1250 beginning value is \$100, so the client’s excess return is \$250 (\$350 minus \$100). The client pays a performance allocation on only \$220 of the \$350 of allocated profits (excess return of \$250 minus \$30 that client’s account began the year below the previous “high watermark.”) The \$220 of profits is charged the 20% performance allocation of \$44 (\$220 times .20). The client’s 2009 ending value is \$1556 (\$1600 minus \$44 performance fee). As this is a new year-end high, the client’s “high watermark” is reset to \$1556.

Regarding the private fund using the tax-managed strategy, we receive an investment performance allocation generally equal to the **lesser** of: a) 20% of the account’s calendar year increase in allocated net assets, if any (your “net capital increase” represented by column B in the example below), and b) 25% of the amount by which the “net capital increase” exceeds the S&P 500 Index on a percentage basis (your “excess return,” represented by column D in the example below). However, the performance fee reallocation will be subject to “high watermark” and “loss carryforward” provisions (represented by columns G and H, respectively, in the example below). In a year in which your account has net losses and the S&P 500 Index has a gain, you will accumulate a “loss carryforward” equal to your net loss. In a year in which your account has net losses in excess of a loss in the S&P 500 Index on a percentage basis, you will accumulate a “loss carryforward” equal to the amount of your excess net loss. These “loss carryforwards” accumulate and are offset in future years by any net profit that your account earns in excess of any gain in the S&P 500 Index on a percentage basis. These “loss carryforwards” are accounted for so that you always recover any excess losses before we receive any performance allocation. If your account value at the end of the calendar year is not above your “high watermark,” or highest previous year-end value, the amount reallocated from your capital account to Regent for the year will be \$0. If your account value at the end of the calendar year is above your “high watermark,” we will calculate the performance allocation two ways (see below), and we will receive the **lesser** of these two calculations:

Performance Allocation Calculation #1: If your “excess return” is less than your “loss carryforward,” if any, the performance allocation under this calculation is \$0. If your “excess return” is greater than your “loss carryforward,” your “loss carryforward” is subtracted from your “excess return” and the performance allocation equals 25% of the remaining “excess return.”

Performance Allocation Calculation #2: If your account’s “net capital increase” is less than your “loss carryforward,” if any, the performance allocation under this calculation is \$0. Otherwise, your “loss carryforward” is subtracted from the “net capital increase” and the performance allocation equals 20% of the remaining increase in your account’s allocated net assets.

In addition, a withdrawal from your capital account results in a proportional decrease in the “high water mark” and “loss carryforward” provisions.

High Watermark and Loss Carryforward Examples (not based on actual performance)

A client makes an initial contribution of \$1000 on 01/01/2007. Following are the account values for each year ending in 2011 (figures rounded to the dollar).

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Invest Year	Limited Partner Capital Account	Net Capital Increase/ (Decrease)	Presumed Return At S&P 500 Return %	Excess Gain / (Loss)	Investment Performance Allocation Paid Lesser of (B- PRIOR YEAR H) x 20% , and (D-PRIOR YEAR H) x 25%	Capital Account Net Performance Allocation  (PRIOR YEAR F+B- E)	High Water Mark	Loss Carry Forward Cumulative
01/01/07	\$1000					\$1000	\$1000	\$0
12/31/07	\$1330	\$330	\$130	\$200	\$50	\$1280	\$1280	\$0
12/31/08	\$1270	(\$10)	\$64	(\$10)	\$0	\$1270	\$1280	\$10
12/31/09	\$1230	(\$40)	(\$20)	(\$20)	\$0	\$1230	\$1280	\$30
12/31/10	\$1275	\$45	\$20	\$25	\$0	\$1275	\$1280	\$5
12/31/11	\$1395	\$120	\$19	\$101	\$23	\$1372	\$1372	\$0

The initial contribution is \$1000. In 2007, the client's account value increases to \$330 to \$1330. The S&P 500 return for 2007 is 13%, giving a presumed return of \$130 on the \$1000 beginning value, so the client's excess return is \$200 (\$330 minus \$130). The client pays a performance allocation equal to the lesser of 25% of the \$200 excess return (i.e., \$50) or 20% of the \$330 of allocated profits (i.e., \$66). Thus, the client pays \$50 on the \$330 of allocated profits. The client's 2007 ending value is \$1280 (\$1330 minus \$50 performance fee), setting a new "high watermark" of \$1280.

In 2008, the client's account value decreases to \$1270 due to allocated losses of \$10. No performance allocation is taken. The S&P 500 return for 2008 is 5%, giving a presumed return of \$64 on the \$1280 beginning balance. The client's loss in a year when the S&P 500 return was positive creates a "loss carryforward" in the amount of the loss (\$10). The client's "high watermark" remains at the previous year-end high value of \$1280.

In 2009, the client's account value decreases \$40 to \$1230. No performance allocation is taken. The S&P 500 return for 2009 is -1.57%, giving a presumed loss of \$20 on the \$1270 beginning balance. The client's loss exceeds the presumed loss at the S&P 500 return by \$20 (\$40 - \$20), creating a cumulative "loss carryforward" in the amount of \$30 (previous loss carryforward of \$10 plus additional excess loss of \$20). The client's "high watermark" remains at the previous year-end high value of \$1280.

In 2010, the client's account value increases \$45 to \$1275. The value is not above the client's "high watermark" of \$1280, so no performance allocation is taken. The S&P 500 return for 2010 is

1.62%, giving a presumed return of \$20 on the \$1230 beginning balance, so the client's excess return is \$25 (\$45 minus \$20). The client's excess return of \$25 reduces the cumulative "loss carryforward" to \$5 (previous loss carryforward of \$30 minus excess return of \$25). The client's "high watermark" remains at the previous year-end high value of \$1280.

In 2011, the client's account value increases \$120 to \$1395. The S&P 500 return for 2011 is 1.5%, giving a presumed return of \$19 on the \$1275 beginning value, so the client's excess return is \$101. The value is above the client's "high watermark" of \$1280. The first \$5 of the client's excess return reduces the client's cumulative "loss carryforward" to \$0, and the client pays a performance allocation only on remaining return. The client pays a performance allocation equal to the lesser of 25% of the \$96 excess return after deducting the "loss carryforward" ( $\$101 - \$5 = \$96 \times 25\% = \$24.00$ ) or 20% of the net capital increase after deducting the "loss carryforward" ( $\$120 - \$5 = \$115 \times 20\% = \$23$ ). Thus, the client pays \$23 on the \$120 of allocated profits. The client's 2011 ending value is \$1372 (\$1395 minus \$23 performance fee). As this is a new year-end high, the client's "high water mark" is reset to \$1372.

#### Additional Capital Contributions into the Private Funds

If you make an additional contribution into one of the private funds, we will create a "sub-account" for that additional contribution, such that the presumed return, the "high watermark," and the "loss carryforward" (if applicable) are calculated separately for the additional contribution. The presumed return is calculated only for the portion of the calendar year that the additional contribution was invested. All of your sub-accounts that finish a calendar year at new year-end high values and with \$0 loss carryforward will be combined into a single account for the following calendar year.

Regent, in our sole discretion, may waive the monthly management fee and the investment performance reallocation in whole or in part from time to time with respect to any partner. We may from time to time waive our fees for our principals, officers, and their immediate family members who are limited partners.

As a limited partner, you will also incur brokerage and other transaction costs as well as expenses (such as accounting, auditing and legal) related to trading in the private funds (for further explanation, please see **Item 12 Brokerage Practices**).

Withdrawals from Private Funds. If you invest in one of the limited partnerships for which Regent serves as the general partner, you may redeem your interest in the limited partnership as of the last day of any calendar month upon 30 days' prior written notice. We can cause the limited partnership to redeem your interest in whole or in part at any time upon 5 days' prior notice to you.

#### **Item 6 Performance-Based Fees and Side-By-Side Management**

Regent receives performance-based fees from the investors in the private funds it manages. Currently, we do not charge performance-based fees from any of the separately managed accounts.

This presents a potential conflict of interest because the compensation Regent receives for some accounts may exceed the compensation it receives for others, thereby providing an incentive for us to prefer certain accounts when making trading decisions and allocating trades among accounts. To address this conflict, Regent allocates trades across accounts in a manner designed to ensure that each allocation is consistent with our clients' investment objectives.

### **Item 7 Types of Clients**

Regent's clients include:

- high net worth individuals,
- pension and profit sharing plans,
- charitable organizations,
- trusts,
- estates,
- corporations and
- other pooled investment vehicles.

Subject to waiver under certain circumstances, Regent requires a minimum investment in its private funds and in separate accounts managed under the same strategy of \$200,000.

Regent, under most circumstances, requires that an individual client invest at least \$500,000 to establish a separately managed account to achieve the client's investment objectives. We will make exceptions to this policy for certain relationships, for employee benefit and other accounts where cash flow will increase the size of the account to \$500,000 over time or in cases where the firm has an existing relationship with the client or a related party.

### **Item 8 Methods of Analysis, Investment Strategies and Risk of Loss**

#### **Methods of Analysis**

Regent uses charting, cyclical, fundamental and technical analysis for making trading decisions in each of our strategies.

You can lose money, potentially your entire investment, by investing in securities. There is no guarantee of positive results, and you should be prepared to bear any losses that result.

#### **Separately-Managed Accounts for Individual Client Investment Objectives**

Regent manages separate accounts for taxable and tax-exempt clients on a discretionary basis. We will invest according to your investment objectives using a limited power of attorney executed by you. Regent cannot guarantee that it will achieve your investment objectives.

The funds and securities of your account are held by a bank, trust company, or brokerage firm chosen by you.

Regent invests primarily in publicly-traded equity securities, principally common stocks, but to a lesser degree convertible preferred stocks, mutual funds, exchange traded funds and other securities with equity characteristics. We may also invest in corporate bonds as well as government, agency, and municipal bonds. We may also hold a portion of your assets in cash and money market instruments.

Regent seeks to invest with a long-term focus, identifying securities primarily in quality issuers and purchasing them at attractive prices. We will generally sell securities only if they become overvalued, the issuer's business outlook deteriorates or for asset allocation or tax planning purposes.

Clients of this strategy include individuals and institutions. While a review of your personal and financial circumstances is completed at the onset (and periodically thereafter), all decisions relating to investment transactions with regard to your managed account are made at the discretion of Regent.

#### Momentum Strategy

Regent manages portfolios of publicly traded equity and equity-like securities for taxable and tax-exempt clients using a strategy based on sector and asset class momentum designed to outperform the market over long periods of time.

The investment objective under this strategy is to generate a positive absolute rate of return over time combined with risk control through investments in industry sectors and asset classes. Regent uses a proprietary, momentum-based sector and asset class rotation model for this strategy. We cannot guarantee we will achieve the investment objective.

Regent invests this portfolio principally via sector- and asset class-focused mutual funds and exchange-traded funds. In the future, we may invest in individual issuers of publicly-traded equity and debt securities. If there is an insufficient number of industry sectors and asset classes exhibiting sustained momentum, we may hold a portion of assets in cash and money market instruments. Regent does not currently engage in short sales of securities in this portfolio, but we may do so in the future.

Regent buys and sells securities such that the portfolio is turned over on average three times each year.

Clients of this strategy include institutions and individuals. Also using this strategy, Regent serves as general partner of a limited partnership. We do not advise persons as to investments in the limited partnership, but we advise this entity as to its investments in securities.

### Tax-Managed Strategy

Regent serves as general partner of a limited partnership, managing a portfolio of publicly traded equity and equity-like securities using a tax-managed strategy designed to outperform the market over long periods of time. The investment objective under this strategy is to generate a relatively high after tax rate of return. There can be no assurances that we will achieve the investment objective.

Regent uses fundamental analysis and technical analysis to select primarily growth stocks with a value component. We invest primarily in publicly-traded equity securities, principally common stocks, and publicly traded stock option contracts. We invest primarily in equity securities of domestic issuers, but may also invest in the equity securities of issuers located in a broad range of developed and emerging countries listed on foreign and domestic exchanges. We also buy and sell put and call options. If there are an insufficient number of available securities meeting our purchase criteria, we may also hold a portion of assets in cash and money market instruments.

Regent buys and sells securities such that the portfolio is turned over on average on an annual basis.

Clients of this strategy include institutions and individuals. We do not advise persons regarding investments in the limited partnership, but we advise this entity as to its investments in securities.

### Trade Errors

Regent has a written policy for dealing with the gains and losses associated with trading errors in its client accounts. In particular, Regent is required to make clients whole, communicate adverse errors to clients with separately managed accounts, and document the errors in client files. Regent makes clients whole by crediting gains to their accounts and reimbursing any losses.

### Risks

Investors in the limited partnerships have restricted liquidity. Withdrawals can only be made the first business day of any month with thirty days' prior written notice. Risks associated with investment in each of the limited partnerships can be found in each limited partnership's respective private offering memorandum.

The tax-managed and momentum strategies may short sell securities. Short selling involves selling securities which are not owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices to close out the short position, any appreciation in the price of the borrowed securities at the time of replacement would result in a loss. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating

the loss. A short sale involves the unlimited risk of an increase in the market price of the securities sold short.

### **Item 9 Disciplinary Information**

There have been no disciplinary or legal actions taken against Regent or any member of Regent.

### **Item 10 Other Financial Industry Activities and Affiliations**

In addition to her responsibilities at Regent, one of Regent's principals – Mary D. Jones – also provides independent consulting services for the coordination of initiatives within the complete family investment, tax, philanthropic, and estate plans for a family which has no business relationship with Regent. These independent activities present a conflict of interest in that they require some of Ms. Jones's time that would otherwise be spent on the affairs of Regent's business, including servicing and managing client accounts. To address this conflict, each Regent portfolio manager is familiar with all clients' investment objectives, and is able to assist in the servicing and management of any client account.

Regent manages and is the general partner of two limited partnerships. Regent may solicit its advisory clients to invest in these limited partnerships; however, because investment in these limited partnerships may involve certain additional degrees of risk, investment is only appropriate when consistent with the client's stated investment objectives, tolerance for risk, liquidity, and suitability. Clients are under no obligation to invest in either of these limited partnerships or to implement any advisory recommendations.

### **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Regent requires its officers, employees, and principals to annually submit a report of their securities holdings and to certify that they have complied with our Code of Ethics ("Code"), adopted pursuant to Rule 204A-1 of the Investment Advisers Act of 1940, as amended. The Code sets forth our expectations with respect to certain aspects of each person's relationship with Regent.

The Code addresses, among other things, conflicts of interest, personal trading of securities, insider trading, compliance procedures and potential sanctions for violations of the Code. The Code is designed to prevent fraudulent, deceptive and manipulative practices as well as institute procedures to prevent violations of the Code. You may obtain a copy of Regent's Code by contacting our Chief Compliance Officer.



Regent does not plan to purchase or sell securities for its own account. Our principals and officers, and their immediate family members, may be limited partners in one or more of the partnerships for which we serve as general partner. They may from time to time maintain a separate account for which we serve as investment adviser along with our management of other client accounts.

Regent's officers and employees may not trade publicly-traded securities unless each such trade is approved in advance by our Chief Compliance Officer or its designee. Regent's personal trading policy provides that generally no officer or employee may trade a security at any time within one trading day before or after the date an account for which the firm is responsible executes a trade with respect to such security, unless none of the trades is material in size for the security as set forth in the policy's criteria.

Trades at the direction of Regent in accounts or partnerships managed by us are not subject to the personal trading restrictions described above. All officers, employees, and principals are required to submit reports to the Chief Compliance Officer of all trades in equity securities not later than 30 days after the end of each calendar quarter.

## **Item 12 Brokerage Practices**

Regent will be responsible for placing all orders for the purchase and sale of portfolio securities for our clients.

### **Separately Managed Accounts for Individual Client Investment Objectives, and Momentum Strategies**

Clients with accounts invested in accordance with their individual investment objectives are asked to designate the brokers through which their transactions are executed. Regent reserves the right to limit the extent to which these clients may designate brokers or dealers for the execution of their transactions. Client direction of brokerage may limit or eliminate our ability to negotiate commissions or obtain the best price and execution. It may also result in a disparity in commission charges among clients. For example, such direction may limit our ability to negotiate volume commission discounts on aggregated orders, costing you more money.

If the client requests that the Regent recommend a broker-dealer/custodian for execution and/or custodial services, Regent generally recommends *Charles Schwab & Co. ("Schwab")* and/or *Fidelity Investments ("Fidelity")*. Prior to engaging Regent to provide investment management services, the client will be required to enter into a separate custodial/clearing agreement with the designated broker-dealer/custodian.

Factors that Regent considers in recommending *Schwab* and/or *Fidelity* (or any other broker-dealer/custodian) to clients include the broker-dealer's/custodian's historical relationship with Regent, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Regent's clients shall comply with the Regent's duty to obtain best execution, a client may pay a commission that is higher than another qualified

broker-dealer might charge to effect the same transaction where Regent determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Regent will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Regent's investment management fee. Regent's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

#### Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Regent may receive from *Schwab and/or Fidelity* (or another broker-dealer/custodian, investment manager, platform or fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist Regent to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Regent may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software, and other products used by Regent in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that may be received may assist Regent in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Regent to manage and further develop its business enterprise.

Regent's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab and/or Fidelity* as a result of this arrangement. There is no corresponding commitment made by Regent to *Schwab and/or Fidelity* or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

With respect to certificates of deposit, bonds, and other debt instruments, where availability of investible securities, liquidity, and/or pricing can vary from broker to broker, Regent may execute transactions through a brokerage firm, bank, or trust company other than the broker designated by the client, where doing so would in Regent's judgment benefit the client. In this event, the client

generally will incur both a fee (a trade commission or mark-up/mark-down) charged by the executing broker-dealer and a separate “tradeaway” and/or prime broker fee charged by the account custodian.

Regent does not normally undertake trade aggregation (or “block trading”) for clients with accounts invested in accordance with their individual investment objectives. In some cases, we may aggregate trades for multiple clients through the same client-directed broker for the purpose of order entry efficiency. Executed block trades are allocated to client accounts on an average-cost basis. If a block trade does not execute in full, we will make a reasonable allocation of the partially-executed block, based on these factors:

- available cash in your account; and/or
- current holdings in your account (*i.e.*, most pressing need or lack thereof for your exposure to the stock and/or the industry sector); and/or
- pro-rata allocation.

With respect to the tax-managed and momentum strategies, all transactions are executed through the custodians for the limited partnerships using these strategies.

### **Item 13 Review of Accounts**

#### **Momentum Strategy**

Portfolio managers review client portfolios invested with the momentum strategy each morning. Portfolio holdings are evaluated against the buy, hold, and sell indications of Regent’s proprietary sector and asset class rotation model. Desired portfolio changes are identified by the portfolio managers before the trading day begins. For individually managed accounts invested according to this strategy, the client receives regular monthly statements from the client’s custodian bank, trust company, or brokerage firm selected by the client and approved by us. In addition, the client receives trade confirmations for each security transaction from the executing broker. For the limited partnership invested according to this strategy, Regent sends each limited partner a newsletter each month which includes monthly valuation and performance figures for the partnership. Each limited partner also receives a monthly statement which includes valuation figures for the limited partner’s account.

#### **Tax-Managed Strategy**

Portfolio managers review client portfolios invested with the tax-managed strategy each morning. Portfolio holdings are evaluated on a technical and fundamental basis. Desired portfolio changes are identified throughout each trading day by the portfolio managers based upon market information, including pricing and company-specific news such as earnings reports. Regent sends each limited partner a newsletter each month which includes monthly valuation and performance

figures for the partnership. Each limited partner also receives a monthly statement which includes valuation figures for the limited partner's account.

#### **Separately Managed Accounts for Individual Client Investment Objectives**

The review of client portfolios separately managed in accordance with the client's individual investment objectives varies because of differences in client guidelines, client circumstances and the timing of investments.

The firm periodically scrutinizes the various securities held in these portfolios. If a reason to reevaluate any investment is found, the security is then reviewed. Investments in this strategy are longer term in nature. Typically, the various securities held in client portfolios are reviewed at least once each business day by a portfolio manager. However, every client portfolio is reviewed at least once each week.

At your request, a Regent portfolio manager will meet personally with you and review account performance and general market outlook. Individual clients receive written monthly statements from the custodian bank, trust company or the brokerage firm selected by you and approved by us. Clients also receive trade confirmations for each security transaction from the executing broker.

#### **Item 14 Client Referrals and Other Compensation**

Regent has entered into an agreement in the past with one or more third parties who refer clients to us. While we do not have any such agreements at the present, we could enter into such agreements in the future. Under such agreements, we compensate these persons with a percentage of our management fee and/or the investment performance allocation paid to us by the referred client. Under such agreements, the fees and investment performance allocation payable by the referred client to Regent will be no higher than those that the client would have paid if the client had approached us directly and had not been introduced by a third party. Regent may execute transactions, from time to time, through brokers affiliated with such third parties, but such executions are neither conditioned upon nor compensation for such referrals. There is no affiliation or relationship other than that referred to herein between Regent and these third parties.

Regent is aware of the special considerations described in Section 206(4)-3 of the Investment Advisers Act of 1940. As such, we will make appropriate disclosures, maintain all written instruments and observe all applicable federal and state laws.

#### **Item 15 Custody**

As the general partner of two limited partnerships, Regent is deemed to have custody of client assets. We maintain clients' funds and securities solely with qualified custodians. In addition, we

will have the limited partnerships with outside investors audited annually and provide the audited financial statements, prepared in accordance with generally accepted accounting principles, to the limited partners or other beneficial owners within 120 days of the fiscal year end of the partnerships.

For separately managed accounts, Regent has the authority to receive fees directly from the clients' accounts and, as such, is deemed to have custody of client assets. The clients' qualified third party custodians send account statements directly to the clients at least quarterly. Clients should carefully review those statements.

### **Item 16 Investment Discretion**

Regent has full discretionary authority to manage securities on your behalf. Each individual client executes an investment management agreement that includes a limited power of attorney. Each limited partner executes a subscription agreement that includes a limited power of attorney.

### **Item 17 Voting Client Securities**

Regent has adopted written proxy voting guidelines in accordance with Rule 206(4)-6 of the Investment Advisers Act of 1940, as amended. You may obtain a copy of our proxy policy and voting procedures as well as our voting record by contacting our Chief Compliance Officer.

Regent has retained a third-party proxy voting service to vote proxies for securities held in its private funds and individually managed accounts for which the client has delegated proxy voting authority to us. We have instructed the proxy service to follow standard voting policies established by Glass, Lewis & Co. to ensure that proxies are voted in the best interests of the clients.

Under Regent's guidelines, the third-party proxy voting service generally will vote in accordance with corporate management's recommendations on matters such as:

- uncontested director nominees and
- ratification of the selection of auditors and similar matters.

The voting service will vote generally against management's recommendations on matters such as:

- proposals which would reduce the rights or options of shareholders,
- proposals which would reduce the value of shareholders' investments,
- "poison pills" (anti-takeover proposals),
- provisions requiring supermajority (more than 50%) approval of transactions, and
- any other matters designed to limit the ability of shareholders to approve transactions.

When a proxy vote is required on a subject that is outside Regent's prescribed guidelines, the portfolio managers will decide how to vote the proxy in the best interests of the clients. If conflicts of interests are discovered, we may refrain from voting the proxies.

**Item 18 Financial Information**

Not applicable.

**Item 19 Requirements for State-Registered Advisers**

Not applicable.

# Regent Investment Management LLC

4350 Brownsboro Road, Suite 120  
Louisville, KY 40207  
502-719-1000  
08/01/2013

## **Form ADV Part 2B—Firm Brochure Supplement**

Supervised Persons:

Martin N. McClelland  
Steven T. Naiser  
Mary D. Jones

This brochure supplement provides information about the supervised persons of Regent Investment Management LLC, listed above, that supplements Regent Investment Management LLC's brochure. You should have received a copy of that brochure. Please contact us at the above address or [steve@regentinvest.com](mailto:steve@regentinvest.com), if you did not receive Regent Investment Management LLC's brochure or if you have any questions about the contents of this supplement.

You can receive additional information about the supervised persons of Regent Investment Management LLC by accessing the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), or by calling Martin N. McClelland at 502-719-1000

Supervised Person:

**Martin N. McClelland**

**Item 2 Educational Background and Business Experience**

Mr. McClelland, born in 1960, serves as President of Regent Investment Management LLC. In 1994, Mr. McClelland formed Alta Capital, Inc., an investment advisory firm. In 1997, Alta Capital merged with Regent Group. Mr. McClelland became President and Chief Investment Officer of Regent Group in 1999. In June 2006, Regent Group joined with Mainstream Investment Advisers, LLC, an investment advisory firm, and Mr. McClelland became Managing Director and Portfolio Manager for Mainstream Investment Advisers, LLC. Regent Investment Management LLC began investment advisory services as a spin-off from Mainstream Investment Advisers, LLC in mid-2012. Mr. McClelland holds a B.S. in mechanical engineering from Purdue University and a M.B.A. from Harvard University.

**Item 3 Disciplinary Information**

None.

**Item 4 Other Business Activities**

None.

**Item 5 Additional Compensation**

None.

**Item 6 Supervision**

Steven T. Naiser, Regent's Chief Compliance Officer, has overall supervisory responsibility for Mr. McClelland, including the advice provided to clients. Every supervised person has responsibility for knowing and following the firm's policies and procedures, which include our Code of Ethics. Mr. Naiser's contact information is the same as that of Regent Investment Management LLC, located on the cover page of this brochure supplement.



Supervised Person:

**Steven T. Naiser**

## **Item 2 Educational Background and Business Experience**

Mr. Naiser, born in 1962, is Vice President and Chief Compliance Officer of Regent Investment Management. From September 1994 until April 2000, Mr. Naiser served as Executive Director and Chief Operating Officer of University Cardiothoracic Surgical Associates, PSC. From April 2000 until June 2006, Mr. Naiser served as Vice President and Portfolio Manager of Regent Group. In June 2006, Mr. Naiser became a Director and Portfolio Manager of Mainstream Investment Advisers, LLC. Regent Investment Management LLC began investment advisory services as a spin-off from Mainstream Investment Advisers, LLC in mid-2012. Mr. Naiser has earned the Chartered Financial Analyst designation and is a member of the CFA Society of Louisville and the CFA Institute. Mr. Naiser holds a B.A. in business from Eastern Kentucky University and a M.B.A. from University of Washington.

The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential awarded by the CFA Institute. To earn the CFA charter, candidates must:

- pass three sequential, six-hour examinations,
- have at least four years of qualified professional investment experience,
- join the CFA Institute as members, and
- commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

## **Item 3 Disciplinary Information**

None.

## **Item 4 Other Business Activities**

None.

## **Item 5 Additional Compensation**

None.

## **Item 6 Supervision**

Mr. Naiser is Regent Investment Management LLC's Chief Compliance Officer. Martin N. McClelland, as Regent Investment Management LLC's President, has overall supervisory responsibility over Mr. Naiser, including the advice provided to clients. Every supervised person will have a responsibility for knowing and following the firm's policies and procedures, which include our Code of Ethics. Mr. McClelland's contact information is the same as that of Regent Investment Management LLC, located on the cover page of this brochure supplement.

Supervised Person:

**Mary D. Jones**

## **Item 2 Educational Background and Business Experience**

Ms. Jones, born in 1965, is a Portfolio Manager of Regent Investment Management. From March, 1999 to March, 2005, Ms. Jones was Vice President and Portfolio Manager of Hilliard Lyons Asset Management. From March, 2005 to July, 2012, Ms. Jones was Executive Vice President, Portfolio Manager, and Director of Family Office Services for Atlas Brown, Inc. Ms. Jones joined Regent Investment Management in July, 2013. Ms. Jones has earned the Chartered Financial Analyst designation and is a member of the CFA Society of Louisville and the CFA Institute. Ms. Jones graduated from the University of Louisville with a B.S.B.A. with honors in Finance.

The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential awarded by the CFA Institute. To earn the CFA charter, candidates must:

- pass three sequential, six-hour examinations,
- have at least four years of qualified professional investment experience,
- join the CFA Institute as members, and
- commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

## **Item 3 Disciplinary Information**

None.

## **Item 4 Other Business Activities**

Ms. Jones also provides independent consulting services for the coordination of initiatives within the complete family investment, tax, philanthropic, and estate plans for a family which has no business relationship with Regent Investment Management LLC.

## **Item 5 Additional Compensation**

None.

## **Item 6 Supervision**

Martin N. McClelland, as Regent Investment Management LLC's President, has overall supervisory responsibility over Ms. Jones, including the advice provided to clients. Every supervised person will have a responsibility for knowing and following the firm's policies and procedures, which include our Code of Ethics. Mr. McClelland's contact information is the same as that of Regent Investment Management LLC, located on the cover page of this brochure supplement.