

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 81858 / October 12, 2017

ADMINISTRATIVE PROCEEDING
File No. 3-16829

In the Matter of	:	
	:	
	:	
WILLIAM B. FRETZ, JR., JOHN P.	:	
FREEMAN, COVENANT CAPITAL	:	ORDER DIRECTING
MANAGEMENT PARTNERS, L.P.,	:	DISBURSEMENT
AND COVENANT PARTNERS, L.P.,	:	
	:	
Respondents.	:	

On September 23, 2015, the United States Securities and Exchange Commission (“Commission”) issued an Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Sections 15(b) and 21C of the Securities Exchange Act of 1934, Sections 203(e), 203(f), and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (the “Administrative Order”)¹ against William B. Fretz, Jr. (“Fretz”), John P. Freeman (“Freeman”), Covenant Capital Management Partners, L.P. (“CCMP”), and Covenant Partners, L.P. (“Covenant”) (collectively, the “Respondents”). The Respondents consented to the Administrative Order without admitting or denying the findings, except as to jurisdiction. In the Administrative Order, the Commission found that, from 1999 through 2014, Fretz and Freeman raised approximately \$7.3 million through the sale of Covenant partnership interests (the “Fund”) to more than 50 limited partners by misrepresenting to investors that Covenant would primarily invest in direct marketing companies, only pay the adviser performance fees if certain conditions were met, and that Fretz and Freeman would act as fiduciaries in the best interests of the Fund. The Commission found that, instead, Fretz and Freeman, through CCMP, used the majority of Covenant investor funds for their own purposes and benefit, in breach of their fiduciary duties. The Commission found that Fretz, Freeman, and CCMP willfully violated, and Covenant violated Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder; and, Fretz, Freeman, and CCMP willfully violated Sections 206(1), 206(2), and 206(4) of the Investment Advisers Act of 1940 and Rule 206(4)-8 thereunder. The Commission ordered the Respondents,

¹ Securities Act Rel. No. 9925 (Sept. 23, 2015).

jointly and severally, to pay disgorgement of \$5,476,928 and prejudgment interest of \$353,582, and Fretz and Freeman to each pay civil penalties of \$500,000.

On September 19, 2014, Covenant filed for protection under Chapter 7 of the United States Bankruptcy Code (the “Bankruptcy Proceeding”) and the Commission filed a protective proof of claim.² By Order entered on December 2, 2015, the Bankruptcy Court granted the Commission an allowed general unsecured claim of \$5,830,510, representing disgorgement of \$5,476,928 and prejudgment interest of \$353,582 (the “Allowed Claim”).³ By Order dated November 16, 2016, the Bankruptcy Court approved the interim distribution of \$2,391,807.89 to the Commission on the Allowed Claim.⁴ A distribution fund has been created for this distribution, and any additional payments of disgorgement and prejudgment interest received from the Bankruptcy Proceeding or otherwise received from the Respondents, plus any interest earned on those funds.

On April 6, 2017, the Commission issued a Notice of Proposed Plan of Distribution and Opportunity for Comment⁵ pursuant to Rule 1103 of the Commission’s Rules on Fair Funds and Disgorgement Plans.⁶ The Notice advised persons they could obtain a copy of the proposed plan of distribution (“Distribution Plan”) by submitting a written request to the Commission. The Notice also advised that all persons desiring to comment on the Distribution Plan could submit their comments, in writing, no later than May 6, 2017. No comments were received by the Commission in response to the Notice. On May 18, 2017, the Commission issued an Order Approving Plan of Distribution⁷.

The Distribution Plan provides for the distribution of the Net Distribution Fund⁸ on a *pro rata* basis to certain harmed investors identified by the Commission staff from the records of the Trustee, records provided to the Commission staff by Covenant, or records obtained through the Plan Notice process. The Distribution Plan provides that the Fund Administrator will compile the payee information and prepare a payment file in a Commission-approved format for submission to the United States Treasury’s Bureau of the Fiscal Service. The Fund Administrator, an SEC employee, has directed preparation of an electronic payment file in a Commission-approved format for submission to the United States Treasury’s Bureau of the Fiscal Service to disburse the Net Distribution Fund in the amount of \$2,391,403.87.

² *Covenant Partners, L.P.*, Case No. 14-17568-SR (Bankr. E.D. Pa.).

³ Bankruptcy Proceeding, Dkt. No. 109.

⁴ Bankruptcy Proceeding, Dkt. No. 185.

⁵ Exchange Act Rel. No. 80392 (Apr. 6, 2017).

⁶ 17 C.F.R. § 201.1103.

⁷ Exchange Act Rel. No. 80711 (May 18, 2017).

⁸ All capitalized terms used but not herein defined shall have the same meanings ascribed to them in the Distribution Plan.

Accordingly, it is hereby ORDERED that the Commission staff shall disburse \$2,391,403.87 to harmed investors pursuant to the Distribution Plan.

By the Commission.

Brent J. Fields
Secretary