

COVALENT PARTNERS LLC

Form ADV Part 2A

December 1, 2014

The information contained herein is provided to Clients and prospective clients about the qualifications and business practice of Covalent Partners LLC. If you have any questions about the contents of this brochure, please contact us at the telephone number or email address below. 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.

Covalent Partners LLC is an SEC Registered Investment Adviser. However, registration does not imply a certain level of skill or training.

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Additional information about Covalent Partners LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

Since the last annual ADV update filing dated October 1, 2014, the following material changes have occurred:

As of December 1, 2014 Covalent has launched a new co-investment vehicle available to all clients.

Going forward we will ensure that you receive a summary of any material changes to our brochure annually. We may also provide updated disclosure information about material changes on a more frequent basis. Any summaries of changes will include the date of our last annual update of our brochure.

Currently, our brochure may be requested by contacting William C. Stone, Jr., CFO/CCO at (617) 658-5500 or wcs@covalentpartnersllc.com. We are happy to provide you with a new brochure at any time without charge.

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Item 4 Advisory Business

Covalent Partners LLC ("Covalent", "Adviser" or "Applicant") is a Massachusetts Limited Liability company established under the laws of the State of Delaware. Covalent was established in 2005 and has been advising its clients since 2006. Covalent's principal owner is Robert Hockett. Covalent is registered with the Securities and Exchange Commission. Covalent provides investment advice to pooled investment vehicles (herein referred to as "Fund", "Funds", "Client" or "Clients") that are not registered investment companies under the Investment Company Act of 1940, as amended (the "IC Act") and whose securities are not registered under the Securities Act of 1933, as amended (the "Securities Act"). The types of investors and investments in these Funds are described in Items 7 and 8 below. As of December 1, 2014, Covalent manages client assets of with a net asset value of \$921,858,000 which are 100% discretionary.

Item 5 Fees and Compensation

Covalent provides its investment advisory services to Funds which are not registered investment companies under the IC Act. These Funds are commingled funds in which only Qualified Purchasers, as defined in section 2(a)(51)(A) of the Investment Company Act of 1940, invest in. Qualified Purchasers are able to invest in either an onshore or offshore Fund. Covalent's compensation from advising these Funds consists of both an asset-based and performance-based fee.

The first component is an asset-based fee. The annual asset-based management fee paid will generally be as percentage of assets under management, depending on the size, nature and term of the Fund, as is set forth in the particular limited partnership agreements (or other operating agreements) or advisory agreements (collectively, the "Operating Documents") of the particular Fund. Depending on the terms of the particular Operating Documents, such asset-based fee may be charged monthly, in arrears or in advance. For Funds that are billed in advance, Covalent will provide, upon the effective date of termination, a pro rata refund of fees paid in advance. The termination rights with respect to a particular Fund are set forth in the Operating Documents with respect to such Fund. The second component is a performance-based fee or allocation of profits as described in Item 6 below.

Funds will bear their own expenses including, but not limited to, the management fees, administration fees, its proportionate share of a master Fund's investment expenses (i.e., expenses related to the investment of a master Fund's assets, including, without limitation, brokerage commissions, custody fees, interest and borrowing charges, and other expenses reasonably related to the investment decision and monitoring process), taxes, insurance premiums, legal expenses, regulatory expenses, the costs of brokerage services and research (including, without limitation, news, quotation, statistics and pricing services, analytical software, and certain data and other services utilized in the investment management and administration process), accounting, audit and tax preparation expenses, other expenses associated with the operation of a Fund, organizational expenses, placement agent fees (note that the management fee will be reduced by an amount equal to the placement agent fees paid by a Fund), and all extraordinary expenses.

NOTE: Investors should refer to each Fund's Offering Memorandum, Subscription Agreement, Limited Partnership Agreement and other Offering Documents for additional supplementary information regarding the Funds as well as the fees and expenses paid by the Funds. Covalent reserves the right to negotiate fees and investment minimums.

Item 6 Performance-Based Fees and Side-by-Side Management

Covalent provides its investment advisory services to Funds which are not registered investment companies under the IC Act. These Funds are commingled funds in which only Qualified Purchasers, as defined in section 2(a)(51)(A) of the Investment Company Act of 1940, invest. Qualified Purchasers are able to invest in either an onshore or offshore Fund. Covalent's compensation from advising these Funds consists of both an asset-based and performance-based fee. The performance-based fee or allocation of profits may be paid either as a fee to Covalent or as an incentive allocation to Covalent or an affiliate of Covalent that serves as the general partner of a limited partnership or as a member of a limited liability company for such Fund. Any performance fees (or incentive allocations) will be computed and charged in accordance with Section 205 of the Investment Advisers Act of 1940, as amended (the "Advisers Act") and Rule 205-3 (including the client qualification provision) promulgated under the Advisers Act, and in accordance with the terms of the particular Operating Documents. In certain Funds, the General Partner, in its sole discretion, may waive any or all fees and terms specified in the Operating Documents.

NOTE: Investors should refer to each Fund's Offering Memorandum, Subscription Agreement, Limited Partnership Agreement and other Offering Documents for additional supplementary information regarding the Funds as well as the fees and expenses paid by the Funds. Covalent reserves the right to negotiate fees and investment minimums.

Item 7 Types of Clients

Covalent provides its investment advisory services to Funds which are not registered investment companies under the IC Act. These Funds generally comprise both domestic and foreign investors, including institutional investors, trusts, charitable organizations, pensions and high net worth individuals, and may in the future include profit sharing plans, estates, bank or thrift institutions and other U.S. and non-U.S. institutional investors and individual high-net-worth clients. Covalent has a \$5,000,000 minimum investment for each investment into the Funds it advises. The general partner of the Fund reserves the right to negotiate the minimum.

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

Covalent security analysis methods include, but are not limited to the following:

- Fundamental analysis
- Technical analysis
- Cyclical
- Others as described below

The main sources of information Covalent uses include, but are not limited to the following:

- Financial newspapers and magazines
- Inspections of corporate activities
- Research materials prepared by others
- Annual reports, prospectuses and filings with the U.S. Securities and Exchange Commission and other regulators
- Corporate rating services
- Company press releases
- Other as described below

Investment strategies used to implement investment advice given to clients include:

- Long-term purchases (securities held at least one year)

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- Short-term purchases (securities sold within a year)
- Trading (securities sold within 30 days)
- Short sales
- Margin transactions
- Option writing, including covered options, uncovered options or spreading strategies
- Exchange-traded and OTC derivatives, including interest rate, currency and equity swaps; interest rate caps, collars and floors; equity and currency options; futures and options on futures; forward foreign currency exchange contracts; capped, inverse, dual index and range floaters; and structured notes.
- Others as described below

Covalent's investment approach is focused foremost on analyzing fundamental factors. When making investment decisions, Covalent typically considers industry- and company-specific cyclical factors and technical factors, such as the availability and recent trading price and volume characteristics of an instrument targeted for purchase or sale. In addition, Covalent may analyze other factors, including but not limited to the relative rights and potential standing of various instruments in the event of issuer financial distress (including in the event of a possible bankruptcy).

In addition to the sources of information set forth above, Covalent may visit corporate management, attend professional forums and conferences, participate in analyst meetings, review Federal bankruptcy court and other court and regulatory filings, and utilizes various online information services.

In addition to the investment strategies described above, Covalent will engage in hedging transactions for certain of its Funds. Hedging transactions are structured with the goal of taking advantage of arbitrage opportunities either within a company's capital structure or across a particular industry. Hedging transactions will include for example, purchasing a company's bonds and shorting the company's equity securities.

Types of Investments

From time to time, Covalent may offer advice on investments, both long and short, in a wide range of domestic as well as international securities and financial instruments, including, but not limited to, common stocks, preferred stocks, corporate bonds (investment grade and non-investment grade), bank debt (assignments and participations) and other loan obligations, mezzanine financings, convertible securities and other equity-linked instruments, U.S. government securities, debt/equity indices and index futures/options, ETFs, closed-end funds and other commingled investment vehicles, credit and fixed income derivatives, equity and equity-linked derivatives and futures, currencies and currency forwards, swaps and contracts for differences, mortgage-backed and other collateralized obligations, asset-backed instruments and other structured notes, municipal bonds, and other public and private instruments, including Rule 144A securities, private equity and limited partner interests. In addition, Covalent may offer advice regarding hedging transactions for certain Funds, as described below.

Note: All investments involve the risk of loss, including (among other things) loss of principal, a reduction in earnings (including interest, dividends and other distributions), and the loss of future earnings. These risks include, but are not limited to, market risk, interest rate risk, bankruptcy and distressed investing risk, issuer risk, currency risk, foreign and emerging market risk, market capitalization risk and general economic risk. For a more comprehensive description of the risks associated with Covalent's investment strategy, please see the applicable Offering Documents. Although we manage the assets in a manner consistent with risk tolerances, there can be no guarantee that our efforts will be successful. The investor should be prepared to bear the risk of loss.

Item 9 Disciplinary Information

Covalent is required to disclose material facts regarding any legal or disciplinary events that would be material to your evaluation of our business or the integrity of our management. Covalent has no such legal or disciplinary events to disclose.

Item 10 Other Financial Industry Activities and Affiliations

Covalent does not partake in any other financial industry activities or affiliations outside of providing investment advice to Funds that are not registered investment companies under the Investment Company Act of 1940, as amended and whose securities are not registered under the Securities Act of 1933, as amended.

Covalent is not registered and does not have an application pending as a securities broker-dealer, futures commission merchant, commodity pool operator or commodity trading advisor.

Covalent does not have arrangements that are material to its advisory business and its clients and investors with a related person who is a broker-dealer, investment company, other investment adviser, financial planning firm, commodity pool operator, commodity trading adviser, futures commission merchant, bank or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited liability companies.

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

Covalent either directly, or through a related person, is the general partner and/or provides advisory services to the following commingled investment vehicles:

- Covalent Capital Partners Master Fund, L.P. (primarily invests in debt and equity securities and other instruments).
- Covalent Capital Partners, LP (primarily invests in Covalent Capital Partners Master Fund, L.P.).
- Covalent Capital Partners Intermediate Fund, L.P. (primarily invests in Covalent Capital Partners Master Fund, L.P.).
- Covalent Capital Partners (Offshore), L.P. (primarily invests in Covalent Capital Partners Intermediate Fund, L.P.).
- Covalent Housing Co-Investment Opportunity Master Fund, L.P. (primarily invests in debt and equity securities and other instruments).
- Covalent Housing Co-Investment Opportunity, LP (primarily invests in Covalent Housing Co-Investment Opportunity Master Fund, L.P.).
- Covalent Housing Co-Investment Opportunity Intermediate Fund, L.P. (primarily invests in Covalent Housing Co-Investment Opportunity Master Fund, L.P.).
- Covalent Housing Co-Investment Opportunity (Offshore), L.P. (primarily invests in Covalent Housing Co-Investment Opportunity Intermediate Fund, L.P.).

Conflicts of Interest

A detailed listing of specific conflicts of interests are contained in each Fund's offering materials. In general, and as applicable to Covalent's Clients, Covalent will endeavor to avoid conflicts of interest and fully disclose material facts concerning any conflict that does arise with respect to any Client. Covalent has adopted policies and procedures to address and mitigate conflicts of interest and will resolve conflicts that arise in accordance with such policies and procedures and such Fund's organizational documents.

Management of Funds. Covalent and its affiliates may provide investment advice to other Clients, including investment funds and managed accounts, that follow investment programs similar to or different from that of other Funds. In addition, Covalent and its affiliates, and the members, managers and/or principals thereof, may have investments in other Clients of Covalent or interests in the performance of other Clients of Covalent which pose conflicts of interest. Conflicts of interest among certain Funds and such other Clients may exist, which include, but are not limited to, those described herein.

Pursuant to Rule 205-3 under the Advisers Act, the Funds operate under an exemption for registered U.S. investment advisers from the performance-based compensation prohibition of Section 205(a)(1) of the Advisers Act. Covalent's interest in the performance of the Funds may create an incentive for Covalent to make investments that are riskier or more speculative than would be the case if Covalent had no such interest.

Investments by each Fund and other Covalent Funds. Purchase and sale orders generally may be combined for all Clients managed by Covalent with each entity paying its pro rata share of the total commission and paying or receiving its pro rata share of the total cost or sales proceeds. From the standpoint of a Fund, simultaneous identical portfolio transactions for a Fund and the other Clients of Covalent may decrease the prices received, and increase the prices required to be paid, by a Fund for its portfolio sales and purchases.

There may be a conflict of interest in the allocation of certain investment opportunities among Funds. A Fund could be disadvantaged because of activities conducted by Covalent, the general partner of the Fund or their affiliates for other Funds managed by Covalent as a result of, among other things: legal restrictions on the combined size of positions which may be taken for Funds managed by Covalent or their affiliates, thereby limiting the size of a Fund's position, and the difficulty of liquidating an investment for more than one account where the market cannot absorb the sale of the combined positions. In addition, there may be circumstances under which Covalent, on behalf of one or more Funds managed by Covalent, will consider participating in investment opportunities in which one or more other Funds do not intend to invest or intend to invest only on a limited basis. Covalent and its affiliates will evaluate a variety of factors which may be relevant in determining whether a particular situation or strategy is appropriate and feasible for a particular Fund or other account managed by Covalent at a particular time, including, without limitation, the nature of the investment opportunity taken in the context of the other investments at the time, the liquidity of the investment relative to the needs of the particular entity, the investment objectives and restrictions or regulatory limitations on the particular entity and the transaction costs involved. Because these considerations may differ for each Fund in the context of any particular investment opportunity, the underlying investment activities of the Funds may differ considerably from time to time.

Transactions with Affiliates. The organizational documents of the Funds allow them to participate in transactions in which Covalent, may be the general partner of a certain Fund (or any of their employees, members and/or principals or any limited partner) is directly or indirectly interested. In connection with such transactions, a Fund, on the one hand, and Covalent, as general partner of a Fund, their employees, members and/or principals or limited partners, on the other hand, may have conflicting interests. Covalent and the general partner of a Fund may also face conflicts of interest in connection with purchase or sale transactions (involving an investment by a Fund) with an affiliate of the Fund (including other Funds),

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including with respect to the consideration offered by, and the obligation of, Covalent, as general partner of a Fund, and other affiliates.

In certain circumstances, a Fund may enter into transactions with other Funds with the same or similar investment objectives as the Fund, including entering into “rebalancing” transactions intended to bring each Fund’s exposure to a commonly held investment into line with each Fund’s percentage of total equity devoted to such types of investments. A Fund could be a purchaser or a seller in such transactions. All such transactions: (i) are effected for cash consideration at the current fair value of the particular securities, (ii) do not involve restricted securities or securities for which market quotations are not readily available, and (iii) if executed through a broker, generally do not involve any brokerage commission fee (except for customary transfer fees and brokerage fees for transactions involving U.S. options or certain non-U.S. equities or where some or all of a position is in a swap) or other remuneration.

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the Clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a Client (what is commonly referred to as a “principal transaction”), the adviser must make certain disclosures to the Client of the terms of the proposed transaction and obtain the Client’s consent to the transaction. In connection with the Adviser’s management of the Funds, the Adviser and its affiliates may engage in principal transactions. The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Fund(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received.

The Funds shall not engage, and the Investment Manager shall not engage on behalf of the Funds or cause the Funds to engage, in any cross trades, principal transactions or other related party transactions without the prior written consent of an independent party or committee that is unaffiliated with the Investment Manager. However, in the case of any cross trade, no such consent shall be required if such cross trades are (i) in instruments for which market quotations are readily available and for which there is a generally recognized liquid market, (ii) executed for no commission or for a commission rate below that which would typically be charged, and (iii) effected in compliance with applicable law and regulation (including all applicable exchange and self-regulatory organization rules). Such consent requirement shall be in addition to any other requirements set forth in the Agreements or under applicable laws, including the Advisers Act.

The Agreements do not prohibit the General Partner or the Investment Manager, or their general partner, employees, managers, members and/or principals or any other partner from buying or selling securities or commodity interests for their own account. The records of any such trades by the General Partner, Investment Manager, their general partners, employees, managers, members and/or principals will not be open to inspection by the Limited Partners. The Investment Manager maintains compliance policies and procedures, including personal trading policies, which are designed to reduce potential conflicts of interest. With respect to such personal accounts, the General Partner, Investment Manager, their general partner, employees, managers, members and/or principals might take investment positions different from, or contrary to, those taken by the Master Fund; *provided, however*, that they are not permitted to trade ahead of Covalent Clients. In addition, the Investment Manager has instituted additional protections against conflicts of interest, described further in the summary below, which include subjecting investment positions in such personal accounts to a holding period and to prior approval by a compliance officer.

The Agreements provide that any such conflicts of interest shall be resolved by the General Partner in its sole discretion, which resolution may have an adverse impact on the Funds.

Summary of Covalent's Code of Ethics

Covalent's reputation for integrity and ethics is one of its most important assets. In order to safeguard this reputation, Covalent believes that it is essential not only to comply with relevant federal and state securities laws and regulations, but also to maintain high standards of personal and professional conduct at all times. Covalent's Code of Ethics is designed to ensure that its conduct is at all times consistent with these standards, with its obligations to its Clients, and with industry and regulatory standards for investment advisors.

The general principles underlying Covalent's Code of Ethics are as follows:

- The interests of Covalent's Clients must always come first.
- Covalent employees should not take inappropriate advantage of information learned through his or her position with or on behalf of a Client, whether or not there is a loss to the Client.
- Covalent employees must take care to avoid even the appearance of impropriety in his or her personal actions.
- Covalent employees should not advise or encourage others to take actions that such employee would be prohibited by the Code of Ethics from taking himself or herself for his or her own account.
- Information concerning the identity, security holdings and financial affairs of Clients is confidential.
- Independence in the investment decision-making process is very important and such independence should be safeguarded.

In order to implement these basic principles, the Code of Ethics contains detailed rules including, but not limited to, prohibitions and pre-approval procedures with respect to personal securities transactions applicable to all employees of Covalent. Covalent will provide Clients or prospective Clients or investors a copy of its Code of Ethics upon written request to its Chief Compliance Officer, Bill Stone, at (617) 658-5508 or at wcs@covalentpartnersllc.com.

Additional conflicts of interest are described in Items 12-19 below.

Item 12 Brokerage Practices

Covalent manages its Funds on a fully discretionary basis, consistent with the Funds' investment objectives and restrictions, with authority to determine the securities to be bought or sold, the amount of securities to be bought and sold and the broker-dealers to be used and related commission rates. In selecting brokers, Covalent attempts to identify the best overall combination of price and execution of purchase or sale orders under prevailing circumstances. The best net price, giving effect to brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other judgmental facts will be considered as they are deemed relevant. Consideration may be given to the reputation, perceived soundness, and performance of the various firms, their demonstrated execution capability, both generally and in regard to particular securities transactions, their proposed commission charges, as well as other factors including the nature of the security or instrument being traded, the size and type of the transaction, the nature and character of the markets for the security or instrument to be purchased or sold, the desired timing of the trade, the activity existing and expected in the market for the particular security or instrument, confidentiality, the firm's clearance and settlement capabilities, and other considerations. Transactions in over-the-counter securities may be made with broker-dealers who are not market makers in those securities at such times as Covalent, in its judgment, believes that it is in the best interests of a Fund to execute a trade with such non-market-maker. When it appears that a number of firms can satisfy the required standards in respect to a particular transaction, consideration may also be given to research services and other considerations which such brokerage firms have provided in the past or may provide in the future. Such

research services and other considerations may include, but are not limited to, the provision of supplemental investment research, including information on particular securities or individual companies or industries or sectors, legal interpretations and legal developments affecting portfolio securities, investments or issuers, general, economic and political information, analytical and statistical data, relevant market information and market quotations in connection with the analysis of securities; such information may be used in connection with some or all of Covalent's Funds and not just those paying for it. Subject to the safe-harbor provisions of Section 28(e) of the Securities Exchange Act of 1934 and in accordance with SEC interpretive guidance regarding the application of such provisions, a portion of brokerage commissions may be paid to firms which, in the normal course of business, publish statistical, research or other research-related material which is received by Covalent and which may or may not prove useful to Covalent in the management of its Funds. Accordingly, Funds may pay higher brokerage commissions in connection with trades for its Fund than would otherwise be the case in reflection of the receipt of such material.

Occasions may arise when Covalent determines that an investment in a particular security or the disposition of a particular security is simultaneously a proper investment decision for more than one of its Funds. In this event, purchases and sales normally will be averaged as to price and pre-allocated as to amount among such Funds in a manner deemed equitable to each Fund. Further, on occasions when Covalent deems the purchase or sale of a security to be in the best interests of a number of Funds, it may aggregate such securities to be purchased or sold among a number of Funds to obtain best execution and lower brokerage commissions in such manner as Covalent deems equitable and fair to its Funds. With respect to the allocation of public offerings which trade at a premium in the secondary market whenever such secondary market begins ("new issues"), Covalent will allocate new issues, if available, among Funds for which such investments are appropriate and desirable in a manner Covalent deems fair and equitable, taking into account factors Covalent deems relevant, including the investment objectives and strategies of such Funds and the past brokerage of the various Funds believed to have "generated" the new issue opportunity. However, certain Funds may not be permitted under the rules of FINRA to purchase new issues, even where such Funds' past brokerage may have generated the opportunity.

Item 13 Review of Accounts

Covalent's Managing Principal, Chief Financial Officer and Principal, in conjunction with other members of the operations and investment team, are responsible for and conduct reviews of all Funds managed on an ongoing basis. As a general rule, Covalent's operations and investment professionals review Fund records on a daily basis. Such review may involve an examination of the Fund's compliance with its objectives and restrictions, current market value of portfolio investments, developments in portfolio companies and other factors affecting decisions with respect to the portfolio. In addition, the portfolio managers and other investment professionals meet on a regular basis to discuss specific positions in, and potential investments for, Funds.

Generally, Covalent, directly or through a third party administrator, provides mid-month and end-of-month performance estimates, monthly statements and portfolio characteristic updates, quarterly letters and other reports to its Fund investors. Other reports may include, but are not limited to, historical exposure and performance attribution data, due diligence questionnaires and AUM and performance data since inception. When applicable, on an annual basis, audited financial statements, Schedule K-1's and other tax statements are provided to the applicable Fund investors. The reports and/or information required to be provided by such Funds to their investors are set forth in the particular Operating Documents for such Fund investors. In addition, due to legal and/or regulatory constraints that must be followed by some of the firm's investors and/or the specific needs and requests by certain investors, the firm may, at its discretion, agree to provide certain investors more frequent reports and/or certain other reports than those described above.

Item 14 Client Referrals and Other Compensation

Covalent does not receive any economic benefit from non-Clients in connection with giving advice to Clients.

Covalent does have placement agent arrangements with certain individuals and entities. These placement agents introduce prospective investors to the advisor for its Client Funds for which Covalent receives management fees and performance fees. The placement agent receives compensation which is formula-based on the amount of management fees paid. There are no conflicts of interests that arise from any of these arrangements.

Item 15 Custody

Covalent does not maintain direct custody or possession of any of its Client's funds or securities. However, Covalent is deemed to have custody of Client's funds in its legal capacity as a related person to the general partner of certain Clients. Covalent intends to comply with the regulations under Rule 206(4)(2) of the Advisers Act (the "Custody Rule"). As such, and as part of the Custody Rule, Covalent has hired a Public Company Accounting Oversight Board-registered independent accounting firm to conduct either an annual audit or a surprise audit for the Funds it advises, as deemed applicable. Likewise, Covalent will send Clients copies of their audited financial statements, prepared in accordance with GAAP, within 120 days of each fiscal year end or in the case of the Funds having surprise audit exams, will ensure that statements are sent to Clients at least quarterly.

In addition, Covalent has retained a "qualified custodian" (as defined by the Advisers Act), which may be a broker-dealer, bank or other type of institution, to hold all assets of the Covalent partnerships (other than certain privately offered securities).

Item 16 Investment Discretion

Covalent manages Fund assets on a fully discretionary basis. Covalent receives discretionary authority from its Funds by way of investment advisory contracts executed at the outset of the relationship. Covalent's discretionary authority includes managing Fund assets consistent with the Fund's investment objectives and restrictions, with authority to determine the securities to be bought or sold, the amount of securities to be bought and sold and the broker-dealers to be used and related commission rates.

Item 17 Voting Client Securities

Covalent has the authority and discretion to vote proxies for its Funds, and therefore has adopted and implemented proxy voting policies and procedures. Funds will not be able to direct the vote on proxies. Proxy voting decisions will be made according to guidelines that protect the economic interests of Covalent Clients while considering both short-and long-term implications. Covalent has formed a proxy voting committee to review proxy statements.

Covalent seeks to vote proxies in a manner which serves the best interest of its Funds. All proxy solicitations shall be reviewed on a per issuer basis. In making proxy voting decisions, Covalent may consider a particular Funds' proxy voting guidelines. It may also consider various other factors, including

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without limitation, potential impact on future operating performance of the company, potential impact on the value, ranking or voting rights of the securities held, alignment of interests between management and the company's shareholders, or other factors. Covalent considers the views of the issuer's management when making proxy decisions unless it is believed that such a vote would be contrary to the objectives of the Funds.

Additionally, Covalent's proxy voting committee has adopted procedures to resolve cases where Covalent or an employee of Covalent has a material conflict of interest with a proxy proposal. Covalent maintains records of its proxy voting for a minimum of five years. Covalent will furnish proxy voting information to any Client, free of charge, upon request to its Chief Compliance Officer, Bill Stone, at (617) 658-5508 or at wcs@covalentpartnersllc.com.

Item 18 Financial Information

Covalent has never filed for bankruptcy and is not aware of any financial condition that would affect its ability to manage the Funds or be material in an investor's decision-making process about investing with Covalent.

Item 19 Requirements for State Registered Advisers

Item 19 is not applicable to the Adviser.