
Form ADV Part 2A Brochure

Item 1 – Cover Page

Covington Capital Management
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January 1, 2015

This Brochure provides information about the qualifications and business practices of **COVINGTON CAPITAL MANAGEMENT (“Advisor”)**. If you have any questions about the contents of this Brochure, please contact us at 213 629-7500. 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.

COVINGTON CAPITAL MANAGEMENT is a registered investment advisor. Registration of an Investment Advisor does not imply any level of skill or training. The oral and written communications of an advisor provide you with information about which you determine to hire or retain an advisor.

Additional information about us is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

There have been no material changes to our brochure since our last brochure dated March 31, 2011.

In the future, if there are material changes you will receive a summary of those changes by April 30 of each year along with instructions on how to request an updated brochure.

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Item 4 – Advisory Business

Covington Capital Management was founded in 2004 as an independent investment advisor registered with and supervised by the Securities and Exchange Commission. We are one of the largest privately owned investment firms in Southern California. Serving a range of individuals, trusts, foundations, endowments, and retirement funds, Covington emphasizes consistent returns, capital preservation, risk management, asset allocation, and diversification.

Covington's sole business is managing our clients' investment assets. As a privately held firm, we are positioned to focus our financial resources directly towards activities which benefit our clients and their investment portfolios. A testament to our financial strength, assets under management have grown steadily and significantly since the company's inception.

We encourage clients to evaluate our performance not only by our investment results, but also by our proactive approach to client service as reflected in our commitment to a high level of communication. We believe that our technical expertise and ability to pay close attention to detail are qualities that set us apart from our competition.

Covington offers investment management services on a discretionary or non-discretionary basis as agreed to with the client. We primarily manage portfolios for individuals, trusts, retirement accounts (IRAs, pensions and profit sharing plans), and other tax-exempt accounts. We customize each portfolio to each respective client's specific risk tolerance, time horizon, and specific goals.

Below are the guidelines that are followed when managing a client's portfolio:

- 1) Investment objectives are identified by assessing the client's risk tolerance, liquidity needs, income requirements, emphasis on growth, and emotional tolerance for volatility. Information provided by the client will be collected during meetings, interviews, and/or questionnaires;
- 2) After analyzing a client's financial situation and formulating an investment policy statement, we implement the investment strategy through an appropriate combination of stocks, bonds, exchange traded funds, cash equivalents, and selection of individual securities. Clients can instruct us not to buy certain securities or types of securities;
- 3) Capital market conditions and client circumstances are monitored; and

4) Portfolio adjustments are made as appropriate to reflect significant changes in any or all of the above variables.

Below are the biographies of our key personnel:

Jeffrey L. Glassman, J.D. – Chief Executive Officer

Jeff joined Covington in 2007 and has practiced law for over 30 years, specializing in estate planning, probate, and trust administration. Most recently, Jeff served as Managing Director of Bingham Legg Advisers LLC, a joint venture created by the law firm Bingham McCutchen and investment manager Legg Mason. Prior to that, he was a principal at the law firm of Riordan & McKinzie for 18 years. Jeff graduated from UCLA with a BA in Political Science and received his JD, magna cum laude, from Loyola Law School of Los Angeles. Jeff is Chairman Emeritus of American Jewish University (formerly known as University of Judaism) and Chairman of the Board of the Jewish Home for the Aging. He also serves on the Board of Directors of the Wallis Foundation, Los Angeles Police Foundation, Los Angeles Sports and Entertainment Commission, and Art Center College of Design. Jeff formerly served on the Board of Regents of Loyola Marymount University and is a member (formerly co-chair) of the Advisory Board of the UCLA School of Public Affairs.

Gary H. Arakawa, CFA - Managing Director

Gary is a founder of Covington and serves as Chief Investment Officer and a member of the firm's Management Committee. With over 30 years of experience, he was previously a Managing Director and Senior Portfolio Manager in the Los Angeles office of U.S. Trust Company, N.A. Gary graduated from California State University, Fullerton with both a BA and an MBA in Finance. He is also a graduate from the Pacific Coast Graduate School of Banking and Finance at the University of Washington and a Chartered Financial Analyst (CFA). He is a member of the CFA Society of Los Angeles and the CFA Institute and serves on the Athletic Council of Whittier Area Community Church.

Richard E. Azarloza, CFA CFP – Managing Director

Richard joined Covington in 2006 and is a member of the firm's Management Committee. He previously served as Senior Portfolio Manager and Chief Operating Officer at Brown Brothers Harriman & Co. in Los Angeles. He is a Chartered Financial Analyst (CFA) and a Certified Financial Planner (CFP) with nearly 25 years of experience as both portfolio

manager and research analyst. Richard is a graduate of UCLA with a BS degree in Mathematics and Economics and received his MBA in Finance from California State University Northridge. He is a member of the CFA Institute, the CFA Society of Los Angeles, and Town Hall Los Angeles and he is a Little League Baseball Coach.

Craig B. Burger, CFA – Managing Director

Craig joined Covington in 2007 and is the firm’s Director of Equity Research. Previously he served as a Senior Portfolio Manager for Boston-based Bingham Legg Advisers LLC. Craig is responsible for managing investment accounts for high net worth individuals, trusts, and foundations. He is a Chartered Financial Analyst (CFA) with over 25 years of experience. Craig graduated from Oregon State University with BS in Forest Product and Finance and received his MBA from UCLA. He is a member of the CFA Society of Los Angeles and the CFA Institute. Craig serves as a Board member of the Library Foundation of Los Angeles is a volunteer pilot for Angel Flight West.

Rebecca K. Dutka, CFA - Managing Director

Rebecca is a founder of Covington and previously served as a research equity analyst and a portfolio manager in the Los Angeles office of U.S. Trust Company, N.A. Prior to that, she worked in New York at Christie’s auction house. She is a Chartered Financial Analyst (CFA) with over 15 years of experience in financial services. Rebecca graduated cum laude from Smith College with a BA in Art History and received her MBA in Finance from UCLA. She is a member of the CFA Society of Los Angeles, CFA Institute, and the Junior League of Los Angeles.

Assets under Management as of December 31, 2014

Discretionary	\$1,927,815,120
Non-Discretionary	\$44,710,947
Total	\$1,972,526,068

Item 5 – Fees and Compensation

Advisory fees are payable quarterly in advance. The first fee will be calculated as a percentage of the market value of all assets on the last trading day of the month in which the client's account was fully funded. For any partial calendar quarter, the advisory fee will be pro-rated based upon the number of days that the account was open (date of initial funding) during the quarter. Thereafter, the fee will be calculated based on the market value at the end of each preceding calendar quarter. The compensation for our services is as follows:

<u>Assets under Management (Balanced Accounts)</u>	<u>Annual Fee</u>
First \$3 million	1.00%
Next \$3,000,000	0.75%
Balance	0.50%

There is a minimum quarterly fee of \$5,000.

In some cases, we charge a flat annual fee collected quarterly.

Fees are deducted directly from the client's custody account pursuant to a written agreement. The advisor will consider invoicing advisory fees if specifically requested by the client. The advisor reserves the right to adjust the fee schedule for accounts depending on the size and type of account and the services required. Clients will be provided with advanced written notification of any such adjustment. In some cases, negotiation of fees may result in different fees being charged for similar services and may be less than the stated fee schedule.

Either the advisor or the client may terminate the agreement in writing at any time. The client is responsible to pay for services rendered until the termination of the agreement. The client can cancel the agreement without penalty within the first five days after the signing of the agreement. Upon termination, the client shall receive a pro-rata refund of that portion of any prepaid advisory fees that have yet to be earned by advisor.

While advisor will make their best effort to check the accuracy of the fee calculation submitted to the custodian by the advisor, clients should be aware of their responsibility to verify the same. The custodian will not determine whether the fee has been properly calculated.

Advisory fees charged by the advisor are separate and distinct from fees and expenses charged by mutual and/or exchange traded funds, which may be recommended to clients. A description of these fees and expenses are available in each fund's prospectus.

Additionally, the fees charged by the advisor are exclusive of any costs related to custodians, brokers, or any other third parties. Clients should review all fees charged by the advisor, custodians, brokers, and others to fully understand the total amount of fees incurred.

If a client's account is a pension or other employee benefit plan governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the advisor acknowledges that it is a fiduciary to the plan under Section 3(38) of ERISA. In providing its services, the sole standard of care imposed upon the advisor is to act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Furthermore, the fact that the advisor may acquire, or not acquire, securities or property for itself or for any other client is not to be considered in determining the advisability of acquiring or not acquiring similar securities or property for the portfolio account of any client. The advisor is a fiduciary and may be liable under federal and state securities laws in certain instances for actions undertaken in good faith. In addition, the advisor assumes no responsibility for the accuracy of information furnished to the advisor by a client or a client's agent.

Item 6 – Performance-Based Fees and Side-By-Side Management

Covington does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

Covington provides portfolio management services to high net worth individuals, companies, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, and trusts.

While we do not have a minimum account size, we have a minimum quarterly fee of 5,000, which equates to a 2 million dollar account.

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

We invest in equities, fixed income, and cash/cash equivalents. Our equity strategy seeks companies with durable competitive advantages and leading industry positions with above-average operating margins, reasonable levels of debt and good corporate governance. The strategy leads to relatively long holding periods, low turnover, and more predictable investment results.

We use fixed income investments in our balanced portfolios in order to help offset the risks and potential volatility of equities. These instruments are used to produce stable income, predictable returns, and preserve capital. Risks are further controlled by using a diversified portfolio of bonds with short and intermediate maturities that are of investment grade quality and have the appropriate tax characteristics.

Balanced Portfolios

Covington believes that balanced portfolio investing can produce the most consistent returns within reasonable risk parameters. By allocating a client's portfolio across a wide spectrum of asset classes, the resulting balanced portfolio can reduce volatility to acceptable levels while still allowing significant participation in the equity markets. We believe that globally balanced portfolios are best for meeting the combined growth, income, and safety needs of our clients.

Equity Investing

Equities and real estate have historically provided the best long-term returns to investors, but are the most volatile asset categories. Covington's equity investment style is to construct blended stock portfolios with a mix of geographies (both foreign and domestic stocks), styles (value and growth), and capitalizations (small-cap, mid-cap, and large-cap). This style allows the client to participate in a number of equity sectors which tends to smooth performance over time and exposes an account to a large range of opportunities. Within this blended framework, Covington investment professionals then seek to add value through the over or underweighting of sectors and themes to capture industry or economic trends.

The core of the Covington equity investment process is the fundamental research that is done by our investment professionals. This research provides continuing analysis of the operating outlook and investment prospects for the securities under our supervision, and allows the investment team to synthesize and analyze the information to reach sound investment conclusions. In addition to primary research materials, the investment team also utilizes a large number of third party sources of information, such as or similar to: Applied Finance Group, Argus Research, Baseline, Bespoke Investment Group, Bloomberg, First Call, Gimme Credit, Goldman Sachs, Morningstar, Ned Davis Research, Schwab Research, Securities and Exchange Commission (SEC), Securities Research Company, Standard & Poor's, Washington Research Group, and Value Line.

The equity allocation of the portfolio is built on the basis of secular, long-term growth trends and reasonable valuation metrics. Economic forecasts are utilized to establish near-term cyclical emphasis on specific sectors and industry groups.

The investment process involves the screening of companies for demonstrated ability:

- to increase revenues and earnings consistently
- to maintain a reasonable level of debt
- to raise dividends, or have the ability to pay dividends, on a consistent basis
- to operate in an attractive industry

Companies are analyzed on a fundamental and technical basis to determine reasonable entry prices. Specific factors include:

- Return on equity and earnings per share; past and future
- Dividend record (consistency and ability to increase)
- Debt levels

-
- Drivers and catalysts of future growth
 - Relative strength
 - Industry outlook
 - Diversification effect
 - Valuation measures such as: Price/Earnings, Price/Book value, Price/Sales
 - Fair Value Prices, Downside, Upside and Twelve-Month Target Prices

The idea discovery process at Covington utilizes this in-house forward-looking research to produce a steady flow of original investment ideas that have high potential/lower risk characteristics.

The timing of Covington's equity selection is influenced by our belief that no single investment style or sector is best for all times. Certain choices, whether value or growth, small or large, foreign or domestic, can outperform others for long periods of time. Effective style rotation involves specific choices to underweight the lagging sectors/styles and to overweight the superior performing ones.

We do not have in-house expertise in the areas of direct real estate and insurance, but maintain relationships with outside professionals in these areas and can refer clients who require assistance.

Sell Discipline

Covington seeks to employ a sell discipline that involves both quantitative and qualitative analysis. The quantitative analysis of relative and historical valuation ratios, relative performance strength compared to industry group, and a significant absolute price decline review are combined with qualitative analysis of the company's fundamental outlook, better alternatives, and previously held faulty assumptions. Portfolio turnover is typically less than 30% per year.

Fixed Income Investing

Our objective for fixed income portfolios is stable income, predictable returns, and capital protection. Our style focuses on bonds with short and intermediate maturities of investment grade quality, with diversification across maturities and issue types. We construct fixed income portfolios by selecting among U.S. government, agency, corporate, mortgage and municipal bonds. We employ active management with particular attention to yield spread, credit quality, call structure, marketability and diversification. We monitor and analyze portfolio positions in real time and take active portfolio positions in proportion to our conviction in certain sectors or securities and client guidelines.

When purchasing corporate credits, the fixed income portfolio managers utilize both in house research and external research sources. Our primary focus in evaluating a firm is the economic stability of the sector as well as the financial stability of a particular credit. Additionally, we look at rating agencies analyses as secondary sources of financial analysis.

Risk

Investing in securities involves risk of loss that clients should be prepared to bear.

Asset allocation and diversification are the primary tools for controlling risk. We seek to ensure that our clients' mix of assets (cash equivalents, bonds, and equities) is appropriate for their temperament, desire for growth, tolerance of risk, need for liquidity, etc.

Item 9 – Disciplinary Information

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Covington or the integrity of our management. None of our employees have had any disciplinary events.

Item 10 – Other Financial Industry Activities and Affiliations

None.

Item 11 – Code of Ethics

Covington has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons must acknowledge the terms of the Code of Ethics.

Employees are allowed to buy and sell securities in their personal accounts that may have been bought or sold in client accounts provided that the trading does not interfere with the best interests of the client. Employee trading activity is carefully monitored and all officers are required to obtain pre-clearance of their trading activity. Certain securities, such as US Government securities, money market funds, and open ended mutual funds are exempt from pre-clearance requirements.

Covington maintains a brokerage account at Charles Schwab that we trade securities that we may recommend to clients. The value of the account is \$38,642.05 as of 12/31/2014.

Our Code of Ethics is available upon request.

Item 12 – Brokerage Practices

Absent an existing brokerage relationship, Covington will assist the client with developing a relationship with brokers that the advisor has a relationship with, which include: the Institutional Division of Charles Schwab & Co, Inc (Schwab).

The advisor will make recommendations based on the needs of the client and the services provided by the broker/custodian such as ability to execute trades, margin rates, online access to accounts, transaction charges, consolidated reporting, duplicate monthly statements, access to mutual funds, including lower sales charges than for direct purchases, and lower minimum purchase amounts.

As part of the institutional programs offered by Schwab, the advisor receives benefits that it would not receive if it did not provide investment advice to clients. While there is no direct affiliation or fee sharing arrangement between Schwab and the advisor, economic

benefits are received by the advisor which would not be received if the advisor did not have an established relationship with Schwab. These benefits do not depend on the amount of transactions directed by the advisor to Schwab. These benefits may include: a dedicated trading desk that services the advisor's clients, a dedicated service group and an account services manager dedicated to the advisor's accounts, access to a real time order matching system, ability to block client trades, electronic download of trades, portfolio management software, access to an electronic interface, duplicate and batched client statements, confirmations and year-end summaries, the ability to have advisory fees directly debited from client accounts (in accordance with federal and state requirements), a quarterly newsletter, access to mutual funds, ability to have loads waived for the advisor's clients who invest in certain loaded funds when certain conditions are met and maintained, and the ability to have custody fees waived.

We do not use soft dollars to pay for research services.

Item 13 - Review of Accounts

Client accounts are reviewed on a periodic basis, but not less than annually. Changes in the investment holdings are made as appropriate. General conditions in the stock and bond markets are continuously monitored. Factors triggering changes to portfolios include changed circumstances of the clients; changed general conditions in the stock and bond markets; and changes in mutual funds or individuals securities owned by clients.

Item 14 - Client Referrals and Other Compensation

The advisor has agreements with certain third parties to compensate them for referring clients. A fee is paid based on a percentage of assets. The agreement is disclosed at the time of introduction by the third party.

Item 15 - Custody

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains your investment assets. Clients are urged to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Covington usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Covington observes the investment policies, limitations, and restrictions of the clients for which it advises.

Investment guidelines and restrictions are documented in writing.

Item 17 – Voting Client Securities

We use the proxy voting service of ISS for those clients that authorize us to vote on their behalf. Voting records are maintained as required by regulation and is available upon request.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about our financial condition. Covington does not have any financial commitments that impair its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.