

# Covenant Multi-Family Offices, LLC

## **Wrap Fee Program Brochure Dated March 5, 2015**

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**This Brochure provides information about the qualifications and business practices of Covenant Multi-Family Offices, LLC (“Covenant”). If you have any questions about the contents of this Brochure, please contact us at (210) 403-5350 or [brian.garrison@covenantmfo.com](mailto:brian.garrison@covenantmfo.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Covenant Multi-Family Offices, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Covenant Multi-Family Offices, LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

There have been no material changes made to Covenant Multi-Family Offices, LLC's disclosure statement since last year's Annual Amendment filing on March 10, 2014.

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## Item 4 Services, Fees and Compensation

### A. INVESTMENT ADVISORY SERVICES

Covenant provides discretionary investment advisory services on a wrap *fee* basis. (*See* discussion below). Clients in Covenant's wrap fee program pay a single fee for bundled services (i.e. investment advisory, brokerage, custody). The services included in a wrap fee agreement will depend upon each client's particular need.

#### COVENANT MULTI-FAMILY OFFICES WRAP PROGRAM

Covenant is the sponsor and investment manager of the Covenant Multi-Family Offices Wrap Program (hereinafter the "Program"). Under the Program, Covenant is able to offer participants discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, and investment management fees. Covenant's Program fee shall vary from negotiable up to 1.10% of the total assets placed under Covenant's management/advisement and shall be based upon the level and scope of the overall investment advisory services to be rendered. Various **objective and subjective factors** shall determine each client's particular investment advisory fee. These factors include, but are not limited to, the amount of the assets placed under Covenant's management, the level and scope of financial planning and consulting services to be rendered, and the complexity of the engagement. (*See Fee Differentials* discussed below).

Under the Program, Covenant shall be provided with written authority to determine which securities and the amounts of securities that are bought or sold. Any limitations on this discretionary authority shall be included in the written agreement between each client and Covenant. Clients may change/amend these limitations, in writing, at any time. The client shall have reasonable access to one of Covenant's investment professionals to discuss their account.

Covenant's annual investment advisory fee shall include investment advisory services, and, to the **extent specifically requested** by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of Covenant), Covenant may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

Fidelity, Inc. ("*Fidelity*") shall generally serve as the custodian for Program accounts.

**Fee Differentials:** In certain circumstances, Covenant, in its sole discretion, may charge a different wrap fee (higher or lower) based upon certain criteria (i.e., complexity of the engagement, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, anticipated level and scope of other services to be provided (i.e. financial planning services, negotiations with client etc.)).

**Fee Calculation:** The fee charged is calculated as described above and is not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client, pursuant to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended (hereinafter the "Act").

**Fee Payment:** Clients will be charged in advance at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value, plus any credit balance or minus any debit balance), of the client's account at the end of the previous quarter. Fees are prorated for accounts opened during the quarter. An additional fee for the current quarter may be assessed if assets are deposited after the beginning of the quarter, prorated based on the number of calendar days remaining in the quarter during which the service will be in effect. No portion of the fee will be credited to the client for the current calendar quarter should any withdrawals from the portfolio occur in the same calendar quarter.

**Termination of Advisory Relationship:** A client agreement may be canceled at any time, by either party, for any reason upon receipt of prior written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

#### **MISCELLANEOUS ADVISORY SERVICES DISCLOSURE**

**Client Responsibilities:** In performing any of its services, Covenant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Furthermore, unless the client indicates to the contrary in the client's Investment Objective Confirmation letter, Covenant shall assume that there are no restrictions on its services, other than to manage the account in accordance with the client's designated investment objective. **Moreover, it remains each client's responsibility to promptly notify Covenant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Covenant's previous recommendations and/or services.**

**Please Note: Investment Performance:** As a condition to participating in the Program, the participant **must** accept that past performance may not be indicative of future results, and understand that the future performance of any specific investment or investment strategy (**including** the investments and/or investment strategies purchased and/or undertaken by Covenant) **may not:** (1) achieve their intended objective; (2) be profitable; or, (3) equal historical performance level(s) or any other performance level(s).

- B. Participation in the Program may cost more or less than purchasing such services separately. Also, the Program fee charged by Covenant for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs. In addition, as noted above, the advisory compensation received by Covenant from the *affiliated funds* (discussed below) (between 10bp and 30bp) is in addition to and separate from the advisory compensation received by Covenant under the Program. Because Covenant can earn additional compensation from the *affiliated funds* (an additional management fee as sub-advisor to the *affiliated funds*) that may exceed the fee that Covenant would earn under its standard asset based fee schedule referenced below, the recommendation that a client become an *affiliated funds* investor presents a **conflict of interest**. No client is under any obligation to become an *affiliated funds* investor. **Covenant's Chief Compliance Officer, Brian Garrison, remains available to address any questions regarding this conflict of interest.**

Depending upon the percentage wrap-fee charged by Covenant, the amount of portfolio activity in the client's account, and the value of custodial and other services provided, the wrap fee may or may not exceed the aggregate cost of such services if they were to be

provided separately and/or if Covenant were to negotiate transaction fees and seek best price and execution of transactions for the client's account.

- C. The Program's wrap fee does not include certain charges and administrative fees, including, but not limited to, transaction charges (including mark-ups and mark-downs) resulting from trades effected through or with a broker-dealer other than *Fidelity*, transfer taxes, odd lot differentials, exchange fees, interest charges, American Depository Receipt agency processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law or otherwise agreed to with regard to client accounts. Such fees and expenses are in addition to the Program's wrap fee.
- D. Covenant's related persons who recommend the Covenant Multi-Family Offices Wrap Program to clients do not receive compensation as a result of a client's participation in the wrap fee program.

## **Item 5 Account Requirements and Types of Clients**

Covenant's clients shall generally include individuals, business entities, trusts, estates, and charitable organizations, and pension and profit sharing plans. Covenant generally requires a minimum asset level of \$1,000,000 for investment advisory services. Covenant, in its sole discretion, may reduce its investment management fee and/or reduce or waive its minimum asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

## **Item 6 Portfolio Manager Selection and Evaluation**

- A. Covenant may allocate a portion of a client's Program assets among Program managers in accordance with the client's designated investment objective(s). In such situations, the Program managers shall have day-to-day responsibility for the active discretionary management of the allocated Program assets. Covenant shall continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which Covenant shall consider in recommending Program managers include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.
- B. Covenant acts as the portfolio manager for the Program. Inasmuch as the execution costs for transactions effected in the client account will be paid by Covenant, a potential conflict of interest arises in that Covenant may have a disincentive to trade securities in the client account. In addition, the amount of compensation received by Covenant as a result of the client's participation in the Program may be more than what Covenant would receive if the client paid separately for investment advice, brokerage and other services.

As the Program sponsor, Covenant shall be responsible for the primary management of the Program.

- C. As discussed below, Covenant also offers to its clients discretionary investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

## **ADVISORY BUSINESS SERVICES**

### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage Covenant to provide discretionary investment advisory services on a non-wrap *fee* basis. If the client determines to engage Covenant on a non-wrap fee basis the client will select individual services on an unbundled basis, paying for each service separately (i.e. investment advisory, brokerage, custody).

### **NON-WRAP FEE BASIS**

If a client determines to engage Covenant to provide discretionary investment advisory services on non-wrap *fee-only* basis, Covenant's annual investment advisory fee shall vary from negotiable up to 1.10% of the total assets placed under Covenant's management/advisement and shall be based upon the level and scope of the overall investment advisory services to be rendered. Various **objective and subjective factors** shall determine each client's particular investment advisory fee. These factors include, but are not limited to, the amount of the assets placed under Covenant's management, the level and scope of financial planning and consulting services to be rendered, and the complexity of the engagement. (See *Fee Differentials* discussed above).

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent requested by a client, Covenant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Prior to engaging Covenant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Covenant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Covenant commencing services. If requested by the client, Covenant may recommend the services of other professionals for implementation purposes, including certain licensed insurance agents employed by Covenant in their individual capacities. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Covenant. **Please Note:** If the client engages any such recommended professional (including certain licensed insurance agents employed by Covenant in their individual capacities), and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** Each client is advised that it remains the client's responsibility to promptly notify Covenant if there is ever any change in client's financial situation or investment objectives for the purpose of reviewing/evaluating/revising Covenant's previous recommendations and/or services.

### **TAX CONSULTING AND PREPARATION SERVICES**

In addition to investment management and financial planning services, Covenant may also provide its clients with tax consulting and preparation services on a mutually agreed upon fixed fee basis, pursuant to the terms and conditions of a separate written agreement. **Please Note:** Although several of Covenant's employees are licensed as

certified public accountants, no corresponding CPA-client relationship is established. All tax preparation services are provided exclusively by Covenant-Covenant is **not** a certified public accounting firm.

## **MISCELLANEOUS**

**Non-Investment Consulting/Implementation Services.** To the extent requested by the client, Covenant *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither Covenant, nor any of its representatives, serves as an attorney, and no portion of Covenant's services should be construed as legal services. To the extent requested by a client, Covenant may recommend the services of other professionals (including certain licensed insurance agents employed by Covenant in their individual capacities) for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Covenant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** Each client is advised that it remains the client's responsibility to promptly notify Covenant if there is ever any change in client's financial situation or investment objectives for the purpose of reviewing/evaluating/revising Covenant's previous recommendations and/or services.

**Independent Managers.** Covenant may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the *Independent Manager[s]* shall have day-to-day responsibility for the active discretionary management of the allocated assets. Covenant shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which Covenant shall consider in recommending *Independent Manager[s]* include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

**Affiliated Private Funds.** Covenant is affiliated with several private investment funds as a sub-advisor (but **not** a sponsor, general partner or managing member): Oso + Toro Multi Strategy ("Oso + Toro") and Third Century and The Yield Fund. In addition, Covenant is a general partner of Admiral Covenant GP, LLC, which serves as the general partner of the Admiral Covenant Academy, LP, a private investment fund (Oso + Toro, Third Century, The Yield Fund and Admiral Covenant Academy, LP are hereinafter collectively referred to together as the "*affiliated funds*"). Condensed descriptions of the *affiliated funds* are set forth below (the complete description of the terms, conditions, risks and fees associated with each of the *affiliated funds* is set forth in each *affiliated funds* offering documents).

Oso + Toro Multi Strategy is a partnership that seeks to achieve superior long-term investment returns from investments in underlying portfolio funds utilizing various absolute return investment strategies.

The Third Century fund provides clients with a single access point to a globally diversified equity portfolio. The goal of the fund is to outperform the iShares All Country World Index (ACWI) with less risk over a full business cycle.

The Yield Fund's investment objective is to achieve attractive total returns that are comprised primarily of yield or income. The Yield Fund is designed to take advantage of dislocations in the retail and commercial credit markets by investing principally in debt instruments issued by a variety of corporate, real estate, government and other issuers.

Admiral Covenant Academy, LP is a partnership that seeks to acquire, hold, manage and distribute or otherwise dispose of Academy Securities and seeks income and gain through the acquisition, holding, management and distribution or other disposition of such securities.

Covenant, on a non-discretionary basis, may recommend that qualified clients consider allocating a portion of their investment assets to the *affiliated funds*. The terms and conditions for participation in the *affiliated funds*, including management fees, conflicts of interest, and risk factors, are set forth in each *affiliated fund's* offering documents. Covenant's clients are under absolutely no obligation to consider or make an investment in the *affiliated funds*.

**Please Also Note: Conflict Of Interest.** Because Covenant can earn additional compensation from the *affiliated funds* that may exceed the fee that Covenant would earn under its standard asset based fee schedule referenced above, the recommendation that a client become an *affiliated funds* investor presents a **conflict of interest**. No client is under any obligation to become an *affiliated funds* investor. **Covenant's Chief Compliance Officer, Brian Garrison, remains available to address any questions regarding this conflict of interest.**

**Un-Affiliated Private Investment Funds.** Covenant may provide investment advice regarding un-affiliated private investment funds. Covenant's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of Covenant calculating its investment advisory fee. Covenant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

**Please Also Note: Valuation.** In the event that Covenant references private investment funds owned by the client on any supplemental account reports prepared by Covenant, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by the fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be **significantly more or less** than the original purchase price.

**Please Note:** 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 client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide



daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she/it is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Note: Fee Differentials.** As indicated in Item 4 above, Covenant shall price its non-wrap investment management services based upon various objective and subjective factors. As a result, Covenant's clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall financial planning and/or consulting services to be rendered. The services to be provided by Covenant to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

**Please Note: Cash Positions.** At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated market conditions/events will occur), Covenant may maintain cash positions for defensive purposes. All cash positions (money markets, etc) shall be included as part of assets under management for purposes of calculating Covenant's advisory fee.

**Trade Error Policy.** Covenant shall reimburse accounts for losses resulting from Covenant's trade errors, but shall not credit accounts for such errors resulting in market gains. The gains and losses are reconciled within Covenant's custodian firm account and Covenant retains the net gains and losses.

**Client Obligations.** In performing its services, Covenant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify Covenant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Covenant's previous recommendations and/or services.

**Disclosure Statement.** A copy of Covenant's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement or Financial Planning and Consulting Agreement*.

Covenant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, Covenant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on Covenant's services.

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

Neither Covenant nor any supervised person of Covenant accepts performance-based fees.

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

Covenant may utilize the following methods of security analysis:

- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

Covenant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Margin Transactions (use of borrowed assets to purchase financial instruments)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**Please Note: Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Covenant) will be profitable or equal any specific performance level(s).

Covenant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis Covenant must have access to current/new market information. Covenant has no control over the dissemination rate of market information; therefore, unbeknownst to Covenant, certain analyses may be compiled with outdated market information, severely limiting the value of Covenant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Covenant's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, Covenant may also implement and/or recommend – use of margin and/or options transactions. Each of these strategies has a high level of inherent risk. (*See discussion below*).

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. **Please Note:** To the extent that a client authorizes the use of margin, and margin is thereafter employed by Covenant in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to Covenant may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential ***conflict of interest*** whereby the client's decision to employ margin *may* correspondingly increase the management fee payable to Covenant. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by Covenant shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by Covenant is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct Covenant, in writing, not to employ any or all such strategies for his/her/its accounts.

Currently, Covenant primarily allocates client investment assets among various debt (bonds), and fixed income securities, mutual funds, private investment funds, independent managers, and/or exchange traded funds on a discretionary basis in accordance with the client's designated investment objective(s).

### **Voting Client Securities**

Except with respect to the *affiliated funds*, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Covenant to discuss any questions they may have with a particular solicitation.

## **Item 7            Client Information Provided to Portfolio Managers**

Covenant shall be the Program's portfolio manager. Covenant shall provide investment advisory services specific to needs of each client. Prior to providing investment advisory services, an investment adviser representative will discuss with each client, their particular investment objective(s). Covenant shall allocate each client's investment assets consistent with their designated investment objective(s). Clients may, at anytime, impose restrictions, in writing, on Covenant's services.

As indicated above, each client is advised that it remains his/her/its responsibility to promptly notify Covenant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Covenant's previous recommendations and/or services.

## **Item 8            Client Contact with Portfolio Managers**

The client shall have, without restriction, reasonable access to the Program's portfolio manager.

## **Item 9            Additional Information**

- A. Covenant has not been the subject of any disciplinary actions.

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Neither the Registrant, nor its representatives have any outside arrangement that is material to its advisory business.

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

Covenant maintains an investment policy relative to personal securities transactions. This investment policy is part of Covenant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Covenant's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Covenant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Covenant or any person associated with Covenant.

Neither Covenant nor any related person of Covenant recommends, buys, or sells for client accounts, securities in which Covenant or any related person of Covenant has a material financial interest.

Covenant and/or representatives of Covenant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where Covenant and/or representatives of Covenant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of

interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Covenant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of Covenant’s clients) and other potentially abusive practices.

Covenant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Covenant’s “Access Persons.” Covenant’s securities transaction policy requires that an Access Person of Covenant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date Covenant selects; provided, however that at any time that Covenant has only one Access Person, he or she shall not be required to submit any securities report described above.

Covenant and/or representatives of Covenant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Covenant and/or representatives of Covenant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above, Covenant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Covenant’s Access Persons

### **Review of Accounts**

For those clients to whom Covenant provides investment supervisory services, account reviews are conducted on an ongoing basis by Covenant’s Principals and representatives. All investment supervisory clients are advised that it remains their responsibility to advise Covenant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with Covenant on an annual basis.

Covenant *may* conduct account reviews on a non-periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Covenant may also provide a written periodic report summarizing account activity and performance.

### **Client Referrals and Other Compensation**

Covenant may receive an economic benefit from *Fidelity*. Covenant, without cost (and/or at a discount), may receive support services and/or products from *Fidelity* (which may include direct monetary assistance from *Fidelity* to obtain certain services or products).

Covenant’s clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity* as a result of this arrangement. There is no corresponding

commitment made by Covenant to *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.

If a client is introduced to Covenant by either an unaffiliated or an affiliated solicitor, Covenant *may* pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Covenant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to Covenant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of Covenant's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between Covenant and the solicitor, including the compensation to be received by the solicitor from Covenant.

Covenant participates in the Fidelity Investments' Smart Connections<sup>SM</sup> program. Smart Connections is a proprietary program of Fidelity for Fidelity Institutional Wealth Services clients. Smart Connections is designed to "introduce" participating investment advisors that are interested in identifying potential merger, succession and/or contingency partners within the Smart Connections participant pool. The service is available at no cost to participating firms. All participating firms provide professional profiles and based on the information firms include in their profiles and utilizing a proprietary matching methodology, the program will identify potential "matches" from Fidelity's participating client base. Once results are produced, firms independently decide whether to contact some, all or none of the firms with whom they were matched. Fidelity does not charge a fee for firms to participate in Smart Connections nor does it require to be compensated to the extent a firm ultimately merges, combines, or otherwise enters into a relationship, with another participating firm.

The Smart Connections program also may include as participants investment advisors or representatives that are identified by independent third party recruiters with whom Fidelity contracts. To the extent a firm agrees to ultimately hire a lead from an independent third party recruiter utilizing Smart Connections, the firm may be obligated to pay to such independent third party recruiter a fee that may be mutually agreeable between the firm and the independent third party in accordance with the terms and conditions of any applicable agreement. In such instance, the independent third party recruiter will invoice the firm directly and Fidelity will have no responsibility with respect to any such fee or payment. While Fidelity may have a separate contractual relationship with the third party recruiter, it will not be a party to any agreement between the firm and the third party recruiter.

There is no form of legal partnership, agency, affiliation, or similar relationship between a firm participating in the Smart Connections program and Fidelity Investments, nor is such a relationship created or implied in the provisions of the Smart Connections program

Covenant participates in the Fidelity Wealth Advisor Services Program (the "WAS Program"), through which Covenant receives referrals from Strategic Advisors, Inc. ("SAI") a registered investment adviser and subsidiary of FMR LLC, the parent company of Fidelity Investments. Covenant is independent and in no way affiliated with SAI or FMR LLC. The WAS Program is designed to help investors find an independent

investment Advisor, and any referral from SAI to Covenant does not constitute a recommendation of Covenant's investment management services. SAI does not supervise or control Covenant, and SAI has no responsibility or oversight for Covenant's provision of investment management or other advisory services.

Under the WAS Program, SAI acts as a solicitor for Covenant, and Covenant pays referral fees to SAI for each referral received based on Covenant's assets under management for each client referred by SAI. In particular, Covenant has agreed to pay SAI 0.20% of any and all assets under management attributable to SAI's solicitation efforts for a period of seven (7) years from the date of solicitation. Additionally, Covenant has agreed to pay a minimum annual solicitation fee of \$10,000, pursuant to Participation Agreement. To the extent that solicitation fees paid based on attributable assets under management do not meet the \$10,000 minimum annual solicitation fee requirement, the balance of the minimum annual solicitation fee will be debited by SAI from Covenant's master account with FBS. These referral fees are paid by Covenant and not by the client.

To receive referrals from the WAS Program, Covenant must meet certain minimum participation criteria, but Covenant may have been selected for participation in the WAS Program as a result of its other business relationships with SAI and its affiliates, including Fidelity Brokerage Services, LLC ("FBS"). As a result Covenant may have a potential conflict of interest with respect to its decision to use certain affiliates of SAI, including FBS, for execution, custody and clearing for certain client accounts. Under an agreement with SAI, Covenant has agreed that Covenant will not charge clients more than the standard range of advisory fees disclosed in its Form ADV 2A Brochure to cover solicitation fees paid to SAI as part of the service. Pursuant to these arrangements, Covenant has agreed not to solicit clients to transfer their brokerage accounts from affiliates of SAI or establish brokerage accounts at other custodians for referred clients other than when Covenant's fiduciary duties would so require; therefore, Covenant may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of SAI. However, participation in the WAS Program does not limit Covenant's duty to select brokers on the basis of best execution.

**Covenant's Chief Compliance Officer, Brian Garrison, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

#### **Financial Information**

Covenant does not solicit fees of more than \$1,200, per client, six months or more in advance.

Covenant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.

Covenant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: Covenant's Chief Compliance Officer, Brian Garrison, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**