

# Covenant Multi-Family Offices, LLC

## **ADV Part 2A, Firm Brochure Dated October 1, 2015**

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This Brochure provides information about the qualifications and business practices of Covenant Multi-Family Offices, LLC. 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.

## **Item 3           Table of Contents**

Item 1	Cover Page.....	1
Item 2	Material Changes.....	2
Item 3	Table of Contents.....	2
Item 4	Advisory Business .....	3
Item 5	Fees and Compensation .....	7
Item 6	Performance-Based Fees and Side-by-Side Management .....	9
Item 7	Types of Clients.....	9
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	9
Item 9	Disciplinary Information .....	11
Item 10	Other Financial Industry Activities and Affiliations .....	11
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	12
Item 12	Brokerage Practices .....	13
Item 13	Review of Accounts.....	16
Item 14	Client Referrals and Other Compensation .....	16
Item 15	Custody.....	18
Item 16	Investment Discretion.....	18
Item 17	Voting Client Securities.....	19
Item 18	Financial Information .....	19

#### Item 4            Advisory Business

- A. Covenant Multi-Family Offices, LLC (“Covenant”) is a limited liability company formed on November 24, 2009 in the State of Texas. Covenant became registered as an Investment Adviser Firm on February 1, 2010. Covenant is principally owned by John Eadie, Covenant’s Managing Member.
- B. As discussed below, Covenant offers to its clients (individuals, business entities, trusts, estates and charitable organizations, pension and profit sharing plans, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services, and tax consulting and preparation services.

#### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage Covenant to provide discretionary investment advisory services on a *fee* basis. Covenant’s annual investment management fee shall vary (up to 1.10% of the total assets placed under Covenant’s management/advisement) and shall be based upon **various objective and subjective factors**. *See also Fee Differential* discussion below.

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.

**Affiliated Private Funds**. Covenant is affiliated with several private investment funds as a sub-advisor (but **not** a sponsor, general partner or managing member): Covenant Alternative Strategies Fund (“CASF”), Covenant Global Equities Fund (“CGEF”), Covenant Strategic Income Fund (“CSIF”) 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 (CASF, CFEF, CSIF, 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).

Covenant Alternative Strategies Fund 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 Covenant Global Equities 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 Covenant Strategic Income Fund provides an opportunistic yield-oriented complement to both high quality bonds and other asset classes.

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 in Item 5 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.**

**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/its is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

## **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.

**Sub-Advisory Arrangements: Betterment, LLC.** Covenant may engage Betterment, LLC (the "sub-advisor") for the purpose of assisting Covenant with the management of certain of its client accounts. The sub-advisor shall have discretionary authority for the day-to-day management of the assets that are allocated to it by Covenant. The sub-advisor shall continue in such capacity until such arrangement is terminated or modified by Covenant. Covenant will render ongoing and continuous advisory services to the client relative to the monitoring and review of account performance, client investment objectives, and asset allocation. Covenant shall pay a portion of the investment advisory fee received for these allocated assets to the sub-advisor for its sub-advisory services. Covenant's Chief Compliance Officer, Brian Garrison, remains available to address any questions that a client or prospective may have regarding Covenant's sub-advisory arrangements.

**Please Note: Fee Differentials.** As indicated in Item 5 below, Covenant shall price 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.

**PLEASE NOTE: RETIREMENT ROLLOVERS-No Obligation/Conflict of Interest:** A client leaving an employer typically has four options (and may engage in a combination of these options): i) leave the money in his former employer's plan, if permitted, ii) roll over the assets to his new employer's plan, if one is available and rollovers are permitted, iii) rollover to an IRA, or iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). Covenant may recommend an investor roll over plan assets to an Individual Retirement Account (IRA) managed by Covenant. As a result Covenant and its representatives may earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave his or her plan assets with his or her old employer or roll the assets to a plan sponsored by a new employer will generally result in no compensation to Covenant (unless you engage Covenant to monitor and/or manage the account while maintained at your employer). Covenant has an economic incentive to encourage an investor to roll plan assets into an

IRA that Covenant will manage or to engage Covenant to monitor and/or manage the account while maintained at your employer. There are various factors that Covenant may consider before recommending a rollover, including but not limited to: i) the investment options available in the plan versus the investment options available in an IRA, ii) fees and expenses in the plan versus the fees and expenses in an IRA, iii) the services and responsiveness of the plan's investment professionals versus Covenant's, iv) protection of assets from creditors and legal judgments, v) required minimum distributions and age considerations, and vi) employer stock tax consequences, if any. No client is under any obligation to rollover plan assets to an IRA managed by Covenant or to engage Covenant to monitor and/or manage the account while maintained at your employer.

**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 the execution of the *Investment Management Agreement* or *Financial Planning and Consulting Agreement*.

- C. 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 anytime, impose reasonable restrictions, in writing, on Covenant's services.
- D. Covenant sponsors a wrap fee program, but does not actively offer it to new clients. There is no difference in how Covenant manages wrap fee accounts versus non-wrap fee accounts. For clients in the wrap fee program, Covenant receives the portion of the advisory fee after Covenant pays the transaction fees associated with the program.
- E. As of January 23, 2015, Covenant had \$1,271,298,000 in assets under management on a discretionary basis.

## **Item 5            Fees and Compensation**

- A. As discussed below, Covenant offers to its clients, on a *fee* basis (individuals, pension and profit sharing plans, business entities, trusts, estates and charitable organizations, etc.) discretionary investment management services and, to the extent specifically requested by a client, financial planning and related consulting services.

## INVESTMENT MANAGEMENT SERVICES

If a client determines to engage Covenant to provide discretionary investment advisory services on *fee* basis, Covenant's negotiable 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 specifically 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 fee basis. Covenant's negotiable planning and consulting fees are negotiable, but generally range from \$5,000 to \$50,000 on a fixed fee basis, and from \$75 to \$350 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

## 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.

- B. Clients may elect to have Covenant's advisory fees deducted from their custodial account. Both Covenant's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Covenant's investment advisory fee and to directly remit that management fee to Covenant in compliance with regulatory procedures. In the limited event that Covenant bills the client directly, payment is due upon receipt of Covenant's invoice. Covenant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, Covenant shall generally recommend that Fidelity, Inc. ("*Fidelity*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Fidelity* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Covenant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). When beneficial to the client, individual fixed-income and/or equity transactions may be effected through broker-dealers with whom Covenant and/or the client have entered into arrangements for prime brokerage clearing services, including effecting certain client transactions through other SEC



registered and FINRA member broker-dealers (in which event, the client generally will incur both the transaction fee charged by the executing broker-dealer and a “tradeaway” fee charged by *Fidelity*).

- D. Covenant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The *Investment Advisory Agreement* between Covenant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, Covenant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.
- E. Neither Covenant, nor its representatives accept compensation from the sale of securities or other investment products.

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

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

## **Item 7            Types of Clients**

Covenant's clients shall generally include individuals, business entities, trusts, estates, and charitable organizations, pension and profit sharing plans. Covenant does not have a minimum asset level for investment advisory services.

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

- A. 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 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).

- B. 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/their/its accounts.

- C. 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). (*See* Independent Managers above).

**Affiliated Private Funds.** Covenant is affiliated with several private investment funds as a sub-advisor (but **not** a sponsor, general partner or managing member): Covenant Alternative Strategies Fund, Covenant Global Equities Fund, Covenant Strategic Income Fund 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 (Covenant Alternative Strategies Fund, Covenant Global Equities Fund, Covenant Strategic Income Fund, 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 above (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). Covenant’s clients are under absolutely no obligation to consider or make an investment in the *affiliated funds*.

## **Item 9           Disciplinary Information**

Covenant has not been the subject of any disciplinary actions.

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

- A. Neither Covenant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither Covenant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Licensed Insurance Agents.** Certain of Covenant’s Associated Persons, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4.B

above, clients can engage certain of Covenant's representatives to effect insurance transactions on a commission basis.

**Conflict of Interest:** The recommendation by Covenant's Associated Persons, that a client purchase a insurance commission product presents a *material conflict of interest*, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any insurance products from Covenant's Associated Persons. Clients are reminded that they may purchase insurance products recommended by Covenant through other, non-affiliated insurance agents. **Covenant's Chief Compliance Officer, Brian Garrison, remains available to address any questions that a client or prospective may have regarding the above conflicts of interest.**

- D. Covenant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. 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.

- B. 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.
- C. 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.

- D. 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 in Item 11.C, 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.

## **Item 12      Brokerage Practices**

- A. In the event that the client requests that Covenant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Covenant to use a specific broker-dealer/custodian), Covenant generally recommends that investment management accounts be maintained at *Fidelity*. Prior to engaging Covenant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Covenant setting forth the terms and conditions under which Covenant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Covenant considers in recommending *Fidelity* (another broker-dealer/custodian, investment platform and/or mutual fund sponsor) include historical relationship with Covenant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Covenant's clients shall comply with Covenant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Covenant determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Covenant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Covenant's investment management fee. Covenant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

Please Note: Client assets that are sub-advised by Betterment are required to be custodied at MTG, LLC dba Betterment Securities ("Betterment Securities"), a registered broker-dealer, member SIPC, as the qualified custodian. Covenant is independently owned and operated and is not affiliated with Betterment Securities. While Covenant may recommend that clients use Betterment Securities as custodian, the client will decide whether to do so or not. If the client does not wish to place their assets with Betterment Securities, then Covenant cannot utilize Betterment as a sub-advisor.

Betterment Securities generally does not charge clients separately for custody services, but is compensated as part of the Betterment Institutional platform fee, which is a percentage of the dollar amount of assets in the account in lieu of commissions.

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

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

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 entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**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 such arrangement may create.**

#### Services Available Via Betterment Institutional

Betterment Securities serves as broker dealer to Betterment Institutional, an investment and advice platform serving independent investment advisory firms like Covenant. Betterment Institutional also makes available various support services which may not be available to Betterment's retail customers. Some of these services help Covenant to manage or administer client's accounts, while others help Covenant manage and grow its business. Betterment Institutional's support services are generally available on an unsolicited basis and at no charge to Covenant. The availability of these services from Betterment Institutional benefits Covenant because Covenant does not have to produce or purchase them. In addition, Covenant doesn't have to pay Betterment Securities' services. These services may be contingent upon Covenant committing a certain amount of business to Betterment Securities in assets in custody. Covenant may have an incentive to recommend that clients maintain their account with Betterment Securities, based on Covenant's interest in receiving Betterment Institutional or

Betterment Securities' services that benefit its business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution for their transactions. This is a potential conflict of interest. Covenant believes that its selection of Betterment Securities as custodian and broker is in the best interest of its clients. Covenant's selection of Betterment Securities is supported by the scope, quality, and price of Betterment Securities' services and not Betterment Institutional and Betterment Securities' services that benefit Covenant only.

2. 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.

3. Covenant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements the client will negotiate terms and arrangements for their account with that broker-dealer, and Covenant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Covenant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less

favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Covenant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Covenant.

**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.**

- B. To the extent that Covenant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Covenant decides to purchase or sell the same securities for several clients at approximately the same time. Covenant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Covenant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Covenant shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. 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.
- B. 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.
- C. 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.

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

- A. As referenced in Item 12.A.1 above, 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 entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

Covenant receives non-economic benefits from Betterment Institutional and Betterment Securities in the form of support products and services made available to Covenant and other independent investment advisors whose clients maintain their accounts at Betterment Securities. These products and services and the related conflicts of interest are described above at Item 12.

**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.**

- B. 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 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.**

#### **Item 15           Custody**

Covenant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. In addition, Covenant is deemed to have custody of client assets as per Rule 206(4)-2, and maintains custody in accordance with the Rule requirements. Client assets are maintained with qualified custodians. 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. In addition, Covenant sends account statements directly to investors in the *affiliated funds*.

**Please Note:** To the extent that Covenant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Covenant with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of Covenant's advisory fee calculation.

#### **Item 16           Investment Discretion**

The client can determine to engage Covenant to provide investment advisory services on a discretionary basis. Prior to Covenant assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming Covenant as the client's attorney and agent in fact, granting Covenant full

authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage Covenant on a discretionary basis may, at anytime, impose restrictions, **in writing**, on Covenant's discretionary authority. (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Covenant's use of margin, etc.).

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

- A. 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.
- B. 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 18      Financial Information**

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