

Covington & Associates, Inc.

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Firm Brochure (Part 2A of Form ADV)

This brochure provides information about the qualifications and business practices of Covington & Associates, Inc. If you have any questions about the contents of this brochure, please contact us at (908) 232-4717. 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 Covington & Associates, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

The term "registered investment advisor" signifies the registration of the company with the United States Securities and Exchange Commission. It does not imply a certain level of skill or training.

February 23, 2017

Material Changes

Annual Update and Other-Than-Annual Amendment

The Material Changes section of this brochure is updated annually and when material changes occur since the previous version of the brochure. The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisors to provide a Firm Brochure in narrative “plain English” format. It specifies mandatory sections and organization.

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Advisory Business

Successful investment management requires dedication, flexibility, and extensive knowledge in the selection and weighting of securities within a portfolio for capital appreciation and for income generation. Based on this philosophy, Covington & Associates, Inc. was founded in 1989 to provide personalized investment advisory services for selected individual, institutional, and corporate clients. All portfolios are managed by the firm's president and owner, Hugh Richard Covington, and a three-member advisory team.

Covington & Associates, Inc. currently manages a variety of portfolios with investment objectives ranging the spectrum from capital preservation with minimum risk to aggressive capital appreciation with additional risk. The firm provides high-net-worth individuals, corporations, corporate pension plans, foundations, and trusts with personalized portfolios based on their specific risk and reward expectations. Clients have direct access to the company's officers who manage the portfolios as a team. The firm invests in stocks, bonds, mutual funds, and options in appropriate weightings and combinations. It does not invest in commodity futures or non-marketable securities. Because Covington & Associates, Inc. recognizes the unique attributes and concerns of each client, it customizes each client's portfolio to reflect the client's investment restrictions.

There are no wrap-fee programs for clients of Covington & Associates, Inc. There are no commission sales. Clients are charged a fixed fee for assets under management after services are performed.

As of December 31, 2016, Covington & Associates, Inc. manages \$155,294,119 of assets for 47 client households on a discretionary basis.

Fees and Compensation

As a boutique investment advisory firm providing custom-tailored portfolios, Covington & Associates, Inc. does not act as a broker-dealer. The firm maintains a fee-based relationship reflecting assets under management. Covington & Associates, Inc. provides investment advisory services for a fee that ranges from 0.5% to 1% of assets under management, depending on the client's individual situation and investment strategy.

Investment advisory fees are charged at the end of each quarter of service (March 31, June 30, September 30, December 31) by multiplying the client's ending portfolio balance by .00125 (.125%) to .0025 (.25%). No fees are charged in advance. All bills are sent directly to clients. Covington & Associates, Inc. normally does not deduct fees directly from client accounts. There are no fixed-term contracts at the firm. Either party may cancel investment advisory agreements in writing at any time.

Covington & Associates, Inc. elects not to earn any commission dollars, or relationship dollars, as the firm does not wish to have financial interests other than the growth of the clients' portfolios. The firm is not an asset custodian or broker-dealer and does not have financial or soft-dollar relationships with any custodians or broker-dealers.

Client portfolio assets are held by an external broker-dealer that the client may help to select. Covington & Associates, Inc. is happy to use the client's recommended broker if the firm is satisfied with the broker's skill level. To assure investment focus, Covington & Associates, Inc. does not provide securities warehousing or back-office services. It works with the broker-dealer to secure those services as needed.

The broker-dealer may earn trading commissions, and there may be fees associated with maintaining an account at a brokerage firm. Mutual fund companies may also have fees associated with investing in their funds. These fees and expenses are described in each fund's prospectus. We do not collect any commissions, and we do not share in any of the account fees.

Performance-Based Fees

There are no performance-based fees at Covington & Associates, Inc.

Types of Clients

Covington & Associates, Inc. manages portfolios for high-net-worth individuals, corporations, corporate pension plans, foundations, and trusts.

Methods of Analysis, Investment Strategies, and Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. The company makes no guarantees.

Investment strategies (balanced, growth, income, etc.) vary by client and portfolio. Regardless of the strategy, the firm's method of security selection relies on a combination of macroeconomic vision, fundamental analysis and a focus on traditional value investing. We often utilize proprietary systems and techniques to build diversified portfolios from those securities that meet our selection criteria. As part of this effort, we perform original research, meet with corporate management, interview their clients and competitors, and keep abreast of industry trends through technical publications and conferences. This approach provides the peace of mind that we know and understand the companies in which we invest and often have met the people who run them.

Material risks are involved in securities investing. Covington & Associates, Inc. provides its best effort, relying on standard industry-wide metrics on risks and returns, to select securities that meet our client's investment objectives. However, a change in a security's value is subject to market forces, which are beyond the firm's control. Stock prices can be volatile, and there is no guarantee that the eventual outcome will be one of asset appreciation. Bond prices also move up and down, and there is no guarantee of a return of investment principal or payment of interest.

Taxes may be due after the purchase or sale of a security, and timely payment of those taxes is the client's sole responsibility.

Disciplinary Information

There are no current or past legal or disciplinary events pertaining to Covington & Associates, Inc. or any of its current employees. No violations, suspensions, legal actions, or regulatory issues have been raised since the firm was founded in 1989.

Other Financial Industry Activities and Affiliations

None of the employees of Covington & Associates, Inc. has any other financial services industry affiliations or activities. Because its employees are not financial planners, lawyers, or accountants, the firm does not provide the services associated with these professions.

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

The employees of Covington & Associates, Inc. are committed to the fiduciary responsibilities of an investment advisor whereby all business must be conducted with the clients' interests first.

Covington & Associates, Inc. does not recommend, buy, or sell for clients any securities in which an employee has a material financial interest. During the normal course of business, Covington & Associates, Inc. may buy or sell securities for its clients that the firm's principals may also buy/sell for themselves. The advisors always place client orders prior to their own personal orders to avoid any conflict of interest when buying or selling a common security. The advisors' only interest is the client's interest. A copy of the Code of Ethics is available upon request.

Brokerage Practices

Covington & Associates, Inc. does not have any affiliation with brokerage firms or other product sales firms. The selection of a broker-dealer is made together with the client. The firm is happy to use the client's recommended broker-dealer if it is satisfied with the broker's skill level and the quality of the parent firm as a custodian. The criteria that Covington & Associates, Inc. uses to examine a broker for a client include transaction costs, quality of execution, the types of securities being managed, the frequency and size of trades, the need for cash or asset transfers, custody costs, online access, the need for checking or credit card services, and other client-specific issues. Although the selection made in concert with the firm's clients may not always be the least expensive, the firm does its best to obtain the lowest fees possible for quality service.

Covington & Associates, Inc. receives no research or other benefits that are not available for free to other retail clients of the brokerage firm promulgating the information. Covington & Associates, Inc. has no incentives to use a particular brokerage firm.

Since 1989, Covington & Associates, Inc. has never received a referral of a client from a brokerage firm and there are no such programs in place or anticipated.

Covington & Associates, Inc. does not require clients to direct the firm to execute a transaction through a specific broker-dealer. When a client requests the execution of a transaction through a specific broker-dealer, the client understands that Covington & Associates, Inc. may not be able to

achieve the most favorable execution and that the client's decision could cost more money than the alternatives.

The aggregation of client securities for purchase or sale is only allowed in certain brokerage accounts. When available, Covington & Associates, Inc. uses this feature to expedite client transactions.

Review of Accounts

The entire team at Covington & Associates, Inc. makes a concerted effort to review the securities held in a client's account on a regular basis. Reviews include an interpretation of current news items and press releases related to a company, daily price movements, trading volumes, and other information the advisors deem important on a security-by-security basis.

Clients receive reports on all transactions directly from their brokerage firm after the execution of each transaction. The brokerage firm provides a client's account holdings and a summary of the account's transactions on a monthly basis. Many brokerage firms also allow clients to check their account's status at any time on the Internet. Covington & Associates, Inc. personally meets with clients, as often as they require, to review their goals, the firm's current investment strategy, recent portfolio performance, and plans for the upcoming year.

Client Referrals and Other Compensation

We do not accept payment or make payment for client referrals.

Custody

Covington & Associates, Inc. does not have custody of client funds or securities. Clients receive monthly statements directly from their brokerage firm and/or custodian. Covington & Associates, Inc. does not provide other account statements. All account statements and confirmations should be carefully reviewed by clients.

Investment Discretion

Covington & Associates, Inc. manages client portfolios on a discretionary basis. Clients are free to set limitations on security selection based on their particular situations (e.g., exclude specific industries or companies). Before assuming trading authority, Covington & Associates, Inc. requires its clients to provide limited power of attorney over the specific accounts being managed.

Voting Client Shares

Covington & Associates, Inc. does not have, nor does it accept, authority to vote client shares. Clients will receive proxies and solicitations directly from the account custodian.

Financial Information

Covington & Associates, Inc. does not require prepayment for any services. There are no financial conditions that could impair its ability to provide client services.

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Brochure Supplement (Part 2B of Form ADV)

Supervised Persons

Hugh Richard Covington, Anthony Loviscek, James Travisano, Alina Bykovtseva

This brochure supplement provides information about Hugh Richard Covington, Anthony Loviscek, James Travisano, and Alina Bykovtseva that supplements the brochure of Covington & Associates, Inc. You should have received a copy of the brochure. Please contact Covington & Associates Inc. at (908) 232-4717 if you did not receive a copy or if you have any questions about the contents of this supplement.

Additional information about the individuals cited in this brochure is available on the SEC's website at www.adviserinfo.sec.gov.

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Educational Background and Business Experience

Hugh Richard Covington (President) was born 5/1/67. Richard was graduated with a B.A. degree in economics from Lewis & Clark College in 1989 and subsequently received a Masters Degree in International Affairs from the University of California at San Diego in 1991. Richard joined Covington & Associates, Inc. in 1995. Richard also worked part-time as an adjunct professor of finance at Seton Hall University, teaching graduate and undergraduate courses in security analysis, financial markets, and health economics.

Anthony Loviscek (Vice-President) was born 9/9/53. Tony received a Ph.D in economics from West Virginia University in 1980. Tony joined Covington & Associates, Inc. in July of 2008. From 1992 to 2008, Tony has been a professor of economics and finance at Seton Hall University, where he served as department chair. He also held appointments at Indiana University, Princeton University and West Virginia University. Tony continues to teach at Seton Hall as needs at the university arise.

James Travisano (Director of Trading & Operations) was born 4/9/83. Jim received a B.S. degree in finance from Seton Hall University in 2005 and an M.S. degree in finance from CUNY Baruch College in 2008. Jim joined Covington & Associates in February of 2012. From 2006 to 2011, he worked in the private banking division of Citigroup.

Alina Bykovtseva, CFA (Director of Research) was born 12/7/86. Alina received a B.S. degree in business administration with concentration in finance from Seton Hall University in 2012. Alina joined Covington & Associates in August of 2014. From 2012 to 2014, she worked as an Equity Research Associate at Cross Research Group.

Disciplinary Information

None of the firm's employees has been involved in any disciplinary events.

Other Business Activities

None of the firm's employees is actively engaged in any other investment-related business or occupation.

Additional Compensation

The firm and its employees receive no additional compensation from other sources.

Supervision

All client communications and investment recommendations are made as a team.