

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 103276 / June 16, 2025

ADMINISTRATIVE PROCEEDING
File No. 3-16829

<hr/>	:	ORDER AUTHORIZING THE
In the Matter of	:	TRANSFER TO THE U.S. DEPARTMENT
	:	OF THE TREASURY OF THE
William B. Fretz, Jr., John P.	:	REMAINING FUNDS AND ANY FUNDS
Freeman, Covenant Capital	:	RETURNED TO THE DISTRIBUTION
Management Partners, L.P., and	:	FUND IN THE FUTURE, DISCHARGING
Covenant Partners, L.P.,	:	THE FUND ADMINISTRATOR, AND
	:	TERMINATING THE DISTRIBUTION
Respondents.	:	FUND
<hr/>	:	

On September 23, 2015, the Commission issued an Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Sections 15(b) and 21C of the Securities Exchange Act of 1934, Sections 203(e), 203(f), and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940 Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (the “Administrative Order”)¹ against William B. Fretz, Jr. (“Fretz”), John P. Freeman (“Freeman”), Covenant Capital Management Partners, L.P. (“CCMP”), and Covenant Partners, L.P. (“Covenant”) (collectively, the “Respondents”). The Respondents consented to the Administrative Order without admitting or denying the findings, except as to jurisdiction. In the Administrative Order, the Commission found that, from 1999 through 2014, Fretz and Freeman raised approximately \$7.3 million through the sale of Covenant partnership interests (the “Fund”) to more than 50 limited partners by misrepresenting to investors that Covenant would primarily invest in direct marketing companies, only pay the adviser performance fees if certain conditions were met, and that Fretz and Freeman would act as fiduciaries in the best interests of the Fund. The Commission found that, instead, Fretz and Freeman, through CCMP, used the majority of Covenant investors’ funds for their own purposes and benefit, in breach of their fiduciary duties. The Commission found that Fretz, Freeman, and CCMP willfully violated, and Covenant violated Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder; and Fretz, Freeman, and CCMP willfully

¹ Securities Act Rel. No. 9925 (Sept. 23, 2015).

violated Sections 206(1), 206(2), and 206(4) of the Investment Advisers Act of 1940 and Rule 206(4)-8 thereunder. The Commission ordered the Respondents, jointly and severally, to pay disgorgement of \$5,476,928 and prejudgment interest of \$353,582, and Fretz and Freeman to each pay civil penalties of \$500,000. According to the Administrative Order, Respondents undertook to waive certain rights in Covenant and all claims against Covenant and upon fulfillment of these undertakings, Fretz, Freeman, and CCMP shall receive a dollar-for-dollar offset against disgorgement, prejudgment interest, and civil penalty for the dollar value of their waived interests as determined in the Covenant Chapter 7 Bankruptcy proceeding described below.

On September 19, 2014, Covenant filed for protection under Chapter 7 of the United States Bankruptcy Code (the “Bankruptcy Proceedings”) and the Commission filed a protective Proof of Claim for an undetermined amount of penalties, disgorgement, and prejudgment interest on October 2, 2014.² By Order entered on December 2, 2015, the Bankruptcy Court granted the Commission an allowed general unsecured claim of \$5,830,510, representing disgorgement of \$5,476,928 and prejudgment interest of \$353,582 (the “Allowed Claim”).³ By Order dated November 16, 2016, the Bankruptcy Court approved the interim distribution of \$2,391,807.89 to the Commission on the Allowed Claim.⁴ By Order dated January 10, 2019, the Bankruptcy Court approved an interim distribution of another \$338,230.49 to the Commission on the Allowed Claim.⁵ By Order dated January 13, 2021, the Bankruptcy Court approved a final distribution of \$40,563.19 to the Commission on the Allowed Claim.⁶

The Commission received a total of \$2,770,601.57 from the Bankruptcy Proceeding on the Allowed Claim (the “Distribution Fund”).

On April 6, 2017, the Secretary, pursuant to delegated authority, published a Notice of Proposed Plan of Distribution and Opportunity for Comment⁷ pursuant to Rule 1103 of the Commission’s Rules on Fair Fund and Disgorgement Plans,⁸ and simultaneously posted the Proposed Plan of Distribution (the “Proposed Plan”). The Commission received no comments on the Proposed Plan during the comment period. On May 18, 2017, the Secretary, pursuant to delegated authority, issued an Order Approving Plan of Distribution,⁹ and simultaneously posted the approved Plan of Distribution (the “Plan”).

In the Plan, the Commission appointed a Commission employee, as the Fund Administrator¹⁰ to oversee the administration and distribution of the Distribution Fund.

² *Covenant Partners, L.P.*, Case No. 14-17568-SR (Bankr. E.D. Pa.).

³ Bankruptcy Proceeding, Dkt. No. 109.

⁴ Bankruptcy Proceeding, Dkt. No. 185.

⁵ Bankruptcy Proceeding, Dkt. No. 233.

⁶ Bankruptcy Proceeding, Dkt. No. 267.

⁷ Exchange Act Rel. No. 80392 (Apr. 6, 2017).

⁸ 17 C.F.R. § 201.1103.

⁹ Exchange Act Rel. No. 80711 (May 18, 2017).

¹⁰ All capitalized terms used herein but not defined are used as defined in the Plan.

The Plan provides for the distribution of the Net Distribution Fund, *pro rata*, to certain harmed investors identified by the Commission staff from the records of the Trustee, records provided to the Commission staff by Covenant, or records obtained through the Plan Notice process.

According to the Plan, any remaining funds that are infeasible to return to investors are to be transferred to the U.S. Department of the Treasury (the “Treasury”), and the Distribution Fund terminated, subject to the Commission’s approval of the Fund Administrator’s final accounting. Any remaining funds following distribution to harmed investors that are infeasible to return to investors are to be transferred to the Treasury and the Distribution Fund terminated, subject to the Commission’s approval of the Fund Administrator’s final accounting.

As ordered by the Commission, the Fund Administrator distributed the Net Distribution Fund pursuant to the Plan in three tranches for a total of \$2,766,423.97.¹¹ All payments were negotiated, resulting in 47 harmed investors being compensated for 52% of their losses.

The Distribution Fund earned \$15,462.46 in interest and paid federal and local taxes of \$7,850.00, investment fees of \$64.05, and tax administration fees of \$8,661.29. The Distribution Fund currently holds \$3,064.72, which is comprised of tax refunds, accrued interest, and unused administrative reserves.

The Plan provides that the Distribution Fund is eligible for termination after both of the following have occurred: (a) a final accounting, in the Commission’s standard accounting format, has been submitted by the Fund Administrator, and has been approved by the Commission; and (b) all Administrative Costs have been paid.

The Commission staff has confirmed that the Fund Administrator has completed the distribution process in accordance with the Commission’s orders and that all Administrative Costs have been paid. The final accounting, which was submitted to the Commission for approval, as required by Rule 1105(f) of the Commission’s Rules, 17 C.F.R. § 201.1105(f), and as set forth in the Plan, has been approved.

Accordingly, it is ORDERED that:

- A. the remaining funds that are infeasible to return to investors, in the amount of \$3,064.72, and any funds returned to the Distribution Fund in the future that are infeasible to return to investors, shall be transferred to the Treasury, subject to Section 21F(g)(3) of the Securities Exchange Act of 1934;

¹¹ See Order Directing Disbursement, Exchange Act Rel. No. 81858 (Oct. 12, 2017); Corrected Order Directing Second Disbursement, Exchange Act Rel. No. 85536 (Apr. 5, 2019); and Order Directing Third Disbursement of Distribution Fund, Exchange Act Rel. No. 92781 (Aug. 27, 2021).

- B. the Fund Administrator is discharged; and
- C. the Distribution Fund is terminated.

For the Commission, by the Division of Enforcement, pursuant to delegated authority.¹²

Vanessa A. Countryman
Secretary

¹² 17 C.F.R. § 200.30-4(a)(21)(vii).