

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 80711 / May 18, 2017

ADMINISTRATIVE PROCEEDING
File No. 3-16829

In the Matter of :

WILLIAM B. FRETZ, JR., JOHN P. :
FREEMAN, COVENANT CAPITAL :
MANAGEMENT PARTNERS, L.P., :
AND COVENANT PARTNERS, L.P., :

ORDER APPROVING PLAN OF
DISTRIBUTION

Respondents. :

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 investor 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 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

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

disgorgement of \$5,476,928 and prejudgment interest of \$353,582, and Fretz and Freeman to each pay civil penalties of \$500,000.

On September 19, 2014, Covenant filed for protection under Chapter 7 of the United States Bankruptcy Code (the “Bankruptcy Proceeding”) and the Commission filed a protective proof of claim.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 A distribution fund has been created for this distribution, and any additional payments of disgorgement and prejudgment interest received from the Bankruptcy Proceeding or otherwise received from the Respondents, plus any interest earned on those funds (the “Distribution Fund”).

On April 6, 2017, the Commission published a Notice of Proposed Plan of Distribution and Opportunity for Comment (“Notice”)⁵ pursuant to Rule 1103 of the Commission’s Rules on Fair Fund and Disgorgement Plans (“Rules”).⁶ The Notice advised all interested persons that they may obtain a copy of the proposed plan of distribution (“Distribution Plan”) from the Commission’s public website at <http://www.sec.gov/litigation/fairfundlist.htm> or by submitting a written request to Catherine E. Pappas, Senior Advisor, United States Securities and Exchange Commission, One Penn Center, 1617 JFK Blvd., Ste. 520, Philadelphia, PA 19103.

The Notice also advised that all persons desiring to comment on the Distribution Plan could submit their comments, in writing, no later than thirty (30) days from the date of the Notice: (1) to the Office of the Secretary, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090; (2) by using the Commission’s Internet comment form (<http://www.sec.gov/litigation/admin.shtml>); or, (3) by sending an email to rule-comments@sec.gov. The Commission received no comments on the Distribution Plan during the comment period.

As of May 11, 2017, the Distribution Fund is comprised of \$2,394,731.10 in disgorgement and prejudgment interest paid by, or collected from, the Respondents, plus accrued interest. The Distribution Plan provides for the distribution of the Net Distribution Fund⁷ on a pro rata basis to certain harmed investors, to be 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. The Distribution Plan provides for one or more subsequent distributions, if additional funds are received and it is determined feasible to make one or more subsequent distributions in accordance with the Distribution Plan.

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

⁶ 17 C.F.R. § 201.1103.

⁷ All capitalized terms used but not herein defined shall have the same meanings ascribed to them in the Distribution Plan.

The Division of Enforcement now requests that the Commission approve the Distribution Plan.

Accordingly, it is hereby ORDERED, pursuant to Rule 1104 of the Rules,⁸ that the Distribution Plan is approved.

For the Commission, by its Secretary, pursuant to delegated authority.

Brent J. Fields
Secretary

⁸ 17 C.F.R. § 201.1104.