

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 85536 / April 5, 2019

ADMINISTRATIVE PROCEEDING
File No. 3-16829

In the Matter of	:	
	:	
	:	
WILLIAM B. FRETZ, JR., JOHN P.	:	
FREEMAN, COVENANT CAPITAL	:	CORRECTED ORDER DIRECTING
MANAGEMENT PARTNERS, L.P.,	:	SECOND DISBURSEMENT
AND COVENANT PARTNERS, L.P.,	:	
	:	
Respondents.	:	

On September 23, 2015, the United States Securities and Exchange Commission (“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

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

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.

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 (the “First Interim Distribution”).⁴ By Order dated January 10, 2019, the Bankruptcy Court approved the interim distribution of another \$338,230.49 to the Commission on the Allowed Claim (the “Second Interim Distribution”).⁵

On April 6, 2017, the Commission issued a Notice of Proposed Plan of Distribution and Opportunity for Comment⁶ pursuant to Rule 1103 of the Commission’s Rules on Fair Funds and Disgorgement Plans.⁷ The Notice advised persons they could obtain a copy of the proposed plan of distribution (“Distribution Plan”) by submitting a written request to the Commission. The Notice also advised that all persons desiring to comment on the Distribution Plan could submit their comments, in writing, no later than May 6, 2017. No comments were received by the Commission in response to the Notice. On May 18, 2017, the Commission issued an Order Approving Plan of Distribution.⁸

The Distribution Plan provides for the distribution of the Net Distribution Fund⁹ on a *pro rata* basis 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.

On October 12, 2017, the Commission issued an Order directing the disbursement of the First Interim Distribution plus accrued interest pursuant to the Distribution Plan.¹⁰ Pursuant to that Order, the Commission disbursed \$2,391,403.87 to harmed investors.

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

⁷ 17 C.F.R. § 201.1103.

⁸ Exchange Act Rel. No. 80711 (May 18, 2017).

⁹ All capitalized terms used but not herein defined shall have the same meanings ascribed to them in the Distribution Plan.

¹⁰ Order Directing Disbursement, Exchange Act Rel. No. 81858 (Oct. 12, 2017).

The Fund Administrator, an SEC employee, now seeks to distribute the Second Interim Distribution, less a reserve for taxes, fees, and expenses, in accordance with the Distribution Plan and has directed preparation of an electronic payment file in a Commission-approved format for submission to the United States Treasury's Bureau of the Fiscal Service to disburse the Net Distribution Fund in the amount of \$337,082.08.

Accordingly, it is hereby ORDERED that the Commission staff shall disburse \$337,082.08 to harmed investors pursuant to the Distribution Plan.

By the Commission.

Vanessa A. Countryman
Acting Secretary