

**Before the Investor Protection Director  
of the State of Delaware**

In the Matter of	)	
	)	<b>Investor Protection Case 15-10-1</b>
CIVITAS PARTNERS LLC; WILLIAM	)	
DANIEL YOUNG; and	)	
GREGORY B. COVERDALE	)	<b>ADMINISTRATIVE CONSENT ORDER</b>
	)	
Respondent.	)	
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WHEREAS, Civitas Partners LLC (“Civitas”) is an investment adviser registered in the State of Delaware, with a Central Registration Depository (“CRD”) number of 156450 and Gregory B. Coverdale (“Coverdale”) is an unregistered investment adviser representative and the sole managing principal of Civitas; and

The Delaware Department of Justice, Investor Protection Unit, has conducted an investigation into the registration, record keeping, lack of policies and procedures concerning supervision and lack of policies and procedures to prevent the misuse of nonpublic information of Civitas and Coverdale (the “Investigation”); and

Civitas and Coverdale elect to waive permanently any right to a hearing and appeal under 6 *Del. C.* §§ 73-304, 73-502, or 73-601 with respect to this Order; and

Solely for the purpose of terminating the Investigation, and in settlement of the issues contained in this Order, Civitas and Coverdale, without admitting or denying the findings of fact or conclusions of law contained in this Order, consent to the entry of this Order.

NOW, THEREFORE, the Investor Protection Director for the State of Delaware (the “Director”), as administrator of the Delaware Securities Act (6 *Del C.* Ch. 73) (the “Act”), hereby enters this Order:

**I.**

**FINDINGS OF FACTS**

1. Civitas and Coverdale admit the jurisdiction of the Delaware Department of Justice, Investor Protection Unit in this matter.

2. Civitas is an investment adviser owned by Daniel Young and Coverdale, with Coverdale, an unregistered investment advisor representative, its sole managing principal and control person.

3. On May 29, 2015, Coverdale left Civitas to become a broker dealer agent for Capital One. As a result of this his investment adviser registration terminated.

4. Despite this termination neither Coverdale nor Civitas made arrangements to transfer Coverdale's clients to a new investment adviser representative. As a result, Coverdale's client accounts remained at Civitas and were not monitored by a registered investment advisor representative.

5. On August 4, 2015, Coverdale's employment was separated from Capital One.

6. Subsequently, Coverdale returned to Civitas and applied for registration as an investment adviser representative on August 31, 2015. The Investor Protection Unit never approved his application for registration. Nevertheless, Coverdale continued to hold himself out as an investment advisor representative and to receive compensation for investment advisory services.

7. On October 14, 2015, the Investor Protection Unit conducted an unannounced examination of Civitas pursuant to 6 *Del.C.* § 73-303(e).

8. Civitas was unable to produce books and records they are required to maintain by the Act and the Rules Pursuant to the Delaware Securities Act. Specifically, at the time of the examination, Civitas could not produce the following:

- a. Financial records of Civitas;
- b. Originals of written communications received and copies of all written communications sent by such investment adviser relating to any recommendation made or proposed to be made and any advice given or proposed to be given, any receipt, disbursement or delivery of funds or securities, or the placing or execution of any purchase or sell any security;

- c. A list or other record of all accounts in which the investment adviser is vested with any discretionary power with respect to the funds, securities or transactions of any client;
- d. All written agreements or copies thereof entered into by the investment adviser with any client or otherwise relating to the business of such investment adviser as such; and
- e. A copy of each written statement and each amendment or revision thereof, given or sent to any client or prospective client of such investment adviser in accordance with the provisions of Rule 709(a)(17), and a record of the dates that each written statement, and each amendment or revision thereof, was given, or offered to be given, to any client or prospective client who subsequently becomes a client.

9. Civitas was also unable to produce any written policies or procedures, including written supervisory procedures and written policies and procedures designed to prevent the misuse of material nonpublic information.

10. Since the unannounced exam Civitas has still been unable to produce all books and records that they are required to maintain by the Act and the Rules Pursuant to the Delaware Securities Act. Specifically, Civitas could not produce the following:

- a. Financial records of Civitas;
- b. Originals of written communications received and copies of all written communications sent by such investment adviser relating to any recommendation made or proposed to be made and any advice given or proposed to be given, any receipt, disbursement or delivery of funds or securities, or the placing or execution of any purchase or sell any security;
- c. All written agreements or copies thereof entered into by the investment adviser with any client or otherwise relating to the business of such investment adviser as such; and

- d. A copy of each written statement and each amendment or revision thereof given or sent to any client or prospective client of such investment adviser in accordance with the provisions of Rule 709(a)(17), and a record of the dates that each written statement, and each amendment or revision thereof was given or offered to be given, to any client or prospective client who subsequently becomes a client.
11. Civitas has also been unable to produce any written policies or procedures, including written supervisory procedures and written policies and procedures designed to prevent the misuse of material nonpublic information since the unannounced exam.

## II.

### CONCLUSIONS OF LAW

1. The Delaware Department of Justice, Investor Protection Unit has jurisdiction over this matter pursuant to 6 *Del. C.* § 73-501.
2. Coverdale's transaction of business while he was unregistered constitutes a violation of § 73-301(c) of the Delaware Securities Act.
3. Civitas' employment of Coverdale while he was unregistered constitutes a violation of § 73-301(d) of the Delaware Securities Act.
4. Coverdale's and Civitas' failure to maintain certain records constitutes a violation of § 73-303(a) of the Delaware Securities Act and Rule 706 of the Rules Pursuant to the Delaware Securities Act.
5. Coverdale's and Civitas' failure to enter into written investment advisory contracts constitutes a violation of § 73-304(a)(7) of the Delaware Securities Act and Rule 709(a)(17) of the Rules Pursuant to the Delaware Securities Act.
6. Civitas' failure to supervise Coverdale constitutes violations of § 73-304(a)(7) and § 73-304a(10) of the Delaware Securities Act and Rule 709(a)(4) of the Rules Pursuant to the

Delaware Securities Act.

7. Civitas' failure to supervise Coverdale constitutes a violation of § 73-304(a)(10) of the Delaware Securities Act.

8. The Delaware Department of Justice, Investor Protection Unit finds the following relief appropriate and in the public interest.

### **III.**

#### **ORDER**

On the basis of the Findings of Facts, Conclusions of Law, and Civitas' and Gregory B. Coverdale's consent to the entry of this Order,

IT IS HEREBY ORDERED that:

1. Coverdale and Civitas, and every successor, affiliate, control person, agent, servant, and employee of them, and every entity owned, operated, or indirectly or directly controlled or hereinafter organized by or on behalf of them, are hereby ordered to cease and desist transacting business in the State of Delaware that would require registration under the Act for a period of two years from Coverdale's execution of this Order, except for the limited purpose of effecting liquidating transactions in the accounts of any customers who remain with Civitas as of the date of this Order, if any.

2. The business of Civitas shall be wound down and it shall cease and desist to operate as an investment advisor, and from performing other related services and/or employing persons to perform other related services, for a period of two years, beginning on the execution date of this Order.

3. Coverdale is ordered to cease and desist from holding himself out as an investment advisor representative and from receiving compensation for investment advisory and other related services for a period of two years, beginning on the execution date of this Order.

4. Coverdale is ordered to cease and desist from becoming employed by or affiliated with any investment advisor or broker dealer for a period of two years, beginning on the execution date of this Order.

5. If Coverdale seeks to become an investment advisor representative, or to become employed by or affiliated with an investment advisor or broker dealer following the expiration of this Order, Coverdale will also apply to IPU to be registered as an investment advisor representative. IPU reserves its right to take action as deemed appropriate based on Coverdale's registration application at that time.

6. This Order concludes the Investigation by the Delaware Department of Justice, Investor Protection Unit as it relates to violations discovered during the October 14, 2015, investment adviser exam and all other matter(s) relating to the Investigation or otherwise pertaining to the settlement of the issues contained in this Order. The State of Delaware will take no further action against Coverdale or Civitas based on either (i) deficiencies found at the unannounced examination of Civitas on October 14, 2015 or (ii) any other matter(s) relating to the Investigation or otherwise pertaining to the settlement of the issues contained in this Order.

7. This Order shall be binding upon Civitas and its successors and assigns as well as to successors and assigns of relevant affiliates with respect to all conduct subject to the provisions above and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions.

Dated this 23rd day of June, 2016.

**BY ORDER OF THE INVESTOR PROTECTION  
UNIT**



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Edward K. Black  
Hearing Officer

**CONSENT TO ENTRY OF CONSENT ORDER BY CIVITAS PARTNERS LLC**

Civitas hereby acknowledges that it has been served with a copy of this Consent Order (“Order”), has read the foregoing Order, is aware of its right to a hearing and appeal in this matter, and has waived the same.

Civitas admits the jurisdiction of the Investor Protection Unit, neither admits nor denies the Findings of Facts and Conclusions of Law contained in this Order, and consents to entry of this Order by the Investor Protection Unit as settlement of the issues contained in this Order.

Civitas states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Order and that it has entered into this Order voluntarily.

Gregory B Coverdale Jr represents that he is Managing Principal of Civitas and that, as such, has been authorized by Civitas to enter into this Order for and on behalf of Civitas.

Dated this 7 day of June, 2016.

Civitas Partners LLC  
By: Gregory B Coverdale Jr  
Title: Managing Principal

SUBSCRIBED AND SWORN TO before me this 7 day of June, 2016.

[Affix seal]

Debra Charlisa Hills  
Notary Public

My Commission expires:

02/24/2020



**CONSENT TO ENTRY OF CONSENT ORDER BY AND GREGORY B. COVERDALE**

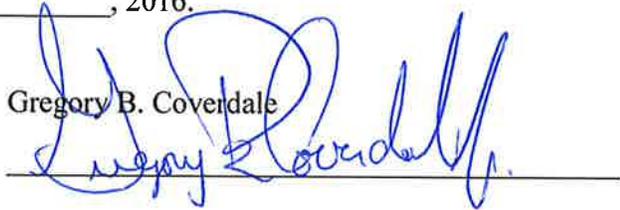
Gregory B. Coverdale hereby acknowledges that he has been served with a copy of this Consent Order ("Order"), has read the foregoing Order, is aware of its right to a hearing and appeal in this matter, and has waived the same.

Gregory B. Coverdale admits the jurisdiction of the Investor Protection Unit, neither admits nor denies the Findings of Facts and Conclusions of Law contained in this Order, and consents to entry of this Order by the Investor Protection Unit as settlement of the issues contained in this Order.

Gregory B. Coverdale states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Order and that it has entered into this Order voluntarily.

Dated this 7 day of June, 2016.

Gregory B. Coverdale



SUBSCRIBED AND SWORN TO before me this 7 day of June, 2016.

[Affix seal]

Notary Public



My Commission expires:

02/24/2020

