

SECURITIES AND EXCHANGE COMMISSION

Release No. IA-4418 / 803-00227

Angelo, Gordon & Co., L.P.; Notice of Application

June 10, 2016

Agency: Securities and Exchange Commission (“Commission”).

Action: Notice of application for an exemptive order under Section 206A of the Investment Advisers Act of 1940 (the “Advisers Act”) and Rule 206(4)-5(e).

Applicant: Angelo, Gordon & Co., L.P. (“Applicant” or “Adviser”).

Relevant Advisers Act Sections: Exemption requested under section 206A of the Advisers Act and rule 206(4)-5(e) from rule 206(4)-5(a)(1) under the Advisers Act.

Summary of Application: Applicant requests that the Commission issue an order under section 206A of the Advisers Act and rule 206(4)-5(e) exempting it from rule 206(4)-5(a)(1) under the Advisers Act to permit Applicant to receive compensation from a government entity for investment advisory services provided to the government entity within the two-year period following a contribution by an individual who subsequently became a covered associate of the Applicant to an official of the government entity.

Filing Dates: The application was filed on December 19, 2014, and amended and restated applications were filed on May 26, 2015 and May 2, 2016.

Hearing or Notification of Hearing: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission’s Secretary and serving Applicant with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on July 5, 2016, and should be accompanied by proof of service on Applicant, in the form of an affidavit or, for

lawyers, a certificate of service. Pursuant to rule 0-5 under the Advisers Act, hearing requests should state the nature of the writer's interest, any facts bearing upon the desirability of a hearing on the matter, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the Commission's Secretary.

Addresses: Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, D.C. 20549-1090. Applicant: Angelo, Gordon & Co., L.P., c/o D. Forest Wolfe, Esq., 245 Park Avenue, New York, NY 10167.

For Further Information Contact: Vanessa M. Meeks, Senior Counsel, or Melissa R. Harke, Branch Chief, at (202) 551- 6825 (Division of Investment Management, Chief Counsel's Office).

Supplementary Information: The following is a summary of the application. The complete application may be obtained via the Commission's website at

<http://www.sec.gov/rules/iareleases.shtml> or by calling (202) 551-8090.

Applicant's Representations:

1. Applicant is a Delaware limited partnership registered with the Commission as an investment adviser under the Advisers Act. Applicant provides discretionary investment advisory services to private funds (the "Funds"). Each of these Funds is a covered investment pool as defined in Rule 206(4)-5(f)(3)(ii). One of the private funds for which the Applicant acts as investment adviser is AG Core Plus Realty Fund IV, L.P. ("Core Plus IV"), a fund excluded from the definition of investment company by Section 3(c)(7) of the Investment Company Act of 1940.

2. The individual who made the campaign contribution that triggered the two-year compensation ban (the "Contribution") is Christopher Williams (the "Contributor"). The Contributor was hired by the Adviser on September 29, 2014 to serve as a senior investment

professional at the Adviser and co-manager of a new investment strategy for the Adviser. The Contributor made the Contribution at a time when he was not working for an investment adviser and almost a year before he would begin working for the Adviser (indeed, months before he entered into employment discussions with the Adviser).

3. An investor in the Funds is a public pension plan identified as a government entity, as defined in Rule 206(4)-5(f)(5)(ii), with respect to the State of Illinois (the "Client").

4. The recipient of the Contribution was Bruce Rauner (the "Recipient"), who was a private citizen then running for Governor of Illinois. The investment decisions for the Client, including the hiring of an investment adviser, are overseen by a nine-member board of trustees, with five gubernatorial appointments, two other state elected officials sitting ex officio, and the chairs of two retirement boards sitting ex officio. Due to the Governor's power of appointment, a candidate for Governor such as the Recipient is an "official" of the Client. The Recipient was elected governor of Illinois on November 4, 2014 and took office on January 12, 2015. The Recipient appointed five members between January 30, 2015 and June 5, 2015.

5. The Contribution that triggered rule 206(4)-5's prohibition on compensation under rule 206(4)-5(a)(1) was given on November 7, 2013 for the amount of \$892.17 as an in-kind contribution to Citizens for Rauner. The Contribution consisted of payments to two vendors to defray expenses of a small meet-and-greet reception (the "Reception") for the Rauner campaign. The Contributor's first and only meeting with Bruce Rauner consisted of a 5 to 10 minute conversation at the Reception on November 7, 2013. The Contributor did not seek out or initiate contact with the Recipient. At the time of the Contribution, the Contributor had no intention of soliciting investment advisory business from the Client or any other government entity of which Rauner was an official. At no time did any employees of the Adviser other than the Contributor

have any knowledge that the Contribution had been made prior to its discovery by the Adviser in October 2014 as a result of its routine new employee onboarding procedures.

6. The Client's contacts with the Adviser date back to at least 2001, before the Contributor was employed by the Adviser. On September 25, 2014, the Client committed to a substantial investment in one of the Funds, Core Plus IV, a Fund that does not participate in the strategy for which the Contributor is a co-manager. A procedure has been established to segregate any compensation (including carried interest and management fees) attributable to the Client's investment in Core Plus IV and withhold them from the Adviser. The Contributor has no role with respect to the Client. The Client is not considered a prospective investor for the investment strategy for which he is a co-manager. The Contributor has had no contact with any representative of the Client, and no contact with any member of the Client's board.

7. The Contribution was discovered by the Adviser's compliance department in the course of new employee onboarding that included review of a political contribution questionnaire on which the Contributor disclosed the Contribution. Within one week of discovering the Contribution on October 3, 2014, the Adviser and Contributor obtained the Recipient's agreement to return the full Contribution. A check refunding the full amount of the Contribution was received on October 24, 2014. The Adviser promptly notified the Client of the Contribution and resulting two-year prohibition on compensation absent exemptive relief from the Commission. The Adviser told the Client that fees charged to the Client's capital account in the Core Plus IV would be placed in escrow and that, absent exemptive relief from the Commission, those fees would be refunded and no additional fees would be charged to the Client for the duration of the two-year period.

8. The Adviser's Pay-to-Play Policies and Procedures ("Policy") were adopted and implemented before the Contribution was made. The Policy was initially adopted in May 2009, more than a year before rule 206(4)-5 (the "Rule") was adopted. All contributions to federal, state and local office incumbents and candidates are subject to pre-clearance, not post-contribution reporting, by employees under the Policy. There is no de minimis exception from pre-clearance for small contributions to these state and local officials. All employees of the Adviser are subject to the Policy. In June 2010 – before the Rule was adopted – the Adviser instituted a Political Contribution Questionnaire that all new employees of the Adviser are required to complete regarding all political contributions of any size at any level for the three year period before beginning employment.

#### Applicant's Legal Analysis

1. Rule 206(4)-5(a)(1) under the Advisers Act prohibits a registered investment adviser from providing investment advisory services for compensation to a government entity within two years after a contribution to an official of the government entity is made by the investment adviser or any covered associate of the investment adviser. The Client is a "government entity," as defined in rule 206(4)-5(f)(5), the Contributor is a "covered associate" as defined in rule 206(4)-5(f)(2), and the Recipient is an "official" as defined in rule 206(4)-5(f)(6). Rule 206(4)-5(c) provides that when a government entity invests in a covered investment pool, the investment adviser to that covered investment pool is treated as providing advisory services directly to the government entity. The Funds are "covered investment pools," as defined in rule 206(4)-5(f)(3)(ii).

2. Section 206A of the Advisers Act grants the Commission the authority to "conditionally or unconditionally exempt any person or transaction . . . from any provision or

provisions of [the Advisers Act] or of any rule or regulation thereunder, if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of [the Advisers Act].”

3. Rule 206(4)-5(e) provides that the Commission may exempt an investment adviser from the prohibition under Rule 206(4)-5(a)(1) upon consideration of the factors listed below, among others:

(1) Whether the exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Advisers Act;

(2) Whether the investment adviser: (i) before the contribution resulting in the prohibition was made, adopted and implemented policies and procedures reasonably designed to prevent violations of the rule; and (ii) prior to or at the time the contribution which resulted in such prohibition was made, had no actual knowledge of the contribution; and (iii) after learning of the contribution: (A) has taken all available steps to cause the contributor involved in making the contribution which resulted in such prohibition to obtain a return of the contribution; and (B) has taken such other remedial or preventive measures as may be appropriate under the circumstances;

(3) Whether, at the time of the contribution, the contributor was a covered associate or otherwise an employee of the investment adviser, or was seeking such employment;

(4) The timing and amount of the contribution which resulted in the prohibition;

(5) The nature of the election (e.g., federal, state or local); and

(6) The contributor's apparent intent or motive in making the contribution which resulted in the prohibition, as evidenced by the facts and circumstances surrounding such contribution.

4. Applicant requests an order pursuant to section 206A and rule 206(4)-5(e), exempting it from the two-year prohibition on compensation imposed by rule 206(4)-5(a)(1) with respect to investment advisory services provided to the Client within the two-year period following the Contribution.

5. Applicant submits that the exemption is necessary and appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Advisers Act. Applicant further submits that the other factors set forth in rule 206(4)-5(e) similarly weigh in favor of granting an exemption to the Applicant to avoid consequences disproportionate to the violation.

6. Applicant contends that given the nature of the Rule violation and the lack of any evidence that the Adviser or the Contributor intended to, or actually did, interfere with the Client's merit-based process for the selection or retention of advisory services, the interests of the Client are best served by allowing the Adviser and the Client to continue their relationship uninterrupted. Applicant states that causing the Adviser to serve without compensation for the remainder of the two year period could result in a financial loss that is more than 300 times the amount of the Contribution. Applicant suggests that the policy underlying the Rule is served by ensuring that no improper influence is exercised over investment decisions by governmental entities as a result of campaign contributions and not by withholding compensation as a result of unintentional violations.

7. Applicant represents that it had adopted and implemented the Policy which is fully compliant with, and more rigorous than, the Rule's requirements and that it had also

implemented a political contribution questionnaire for all new employees, and performed compliance testing that included random searches of campaign contribution databases for the names of employees. Applicant notes that it was this questionnaire that was effective in identifying the Contribution.

8. Applicant asserts that actual knowledge of the Contribution at the time of its making cannot be imputed to the Adviser, given that the Contributor was not an employee of the Adviser and had not yet participated in any of the discussions that would ultimately lead to his employment with the Adviser. Applicant represents that at no time did any employees of the Adviser other than the Contributor have any knowledge that the Contribution had been made prior to its discovery by the Adviser in October 2014 as part of its standard employee onboarding process.

9. Applicant asserts that after learning of the Contribution, the Adviser and the Contributor took all available steps to obtain a return of the Contribution and implement additional measures to prevent a future error, including modification of the new employee onboarding process to require the completion of the political contribution questionnaire before the Adviser's final decision to hire a new employee.

10. Applicant states that it informed the Contributor that he could have no contact with any representative of the Client other than potentially making substantive presentations to the Client's representatives and consultants about the investment strategy the Contributor manages in the event the Client requested a presentation of that strategy. The Contributor was directed to maintain a log of such interactions in accordance with the retention requirements set forth in Rule 204-2(e). Applicant further states that the Contributor ultimately had no contact with any representative of the Client and no contact with any member of the Client's board.



11. Applicant notes that it has had ongoing contacts with the Client that predate the Contributor's employment with the Adviser, and that the Contribution was consistent with the political affiliation of the Contributor and his wife. Applicant asserts that the Contributor also had a legitimate interest in the outcome of the campaign given that he and his family live in Illinois. Applicant also asserts that the Contributor's action in making a contribution that would later trigger a ban resulted from his lack of knowledge about the Rule's look-back provisions and, thus, his failure to appreciate the fact that the Contribution might impact potential future activities for an investment advisory firm.

For the Commission, by the Division of Investment Management, under delegated authority.

Robert W. Errett  
Deputy Secretary