UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

May 13, 2013

VIA OVERNIGHT DELIVERY

Ronald Spogli, Chief Executive Officer
Freeman Spogli Management Co., L.P.
11100 Santa Monica Blvd., Suite 1900
Los Angeles, CA 90025

WITH COPY TO:
William Wardlaw, Chief Compliance Officer
Freeman Spogli Management Co., L.P.
11100 Santa Monica Blvd., Suite 1900
Los Angeles, CA 90025

Re: Examination of Freeman Spogli Management Co., L.P.
SEC File No. 801-73816

Dear Mr. Spogli:

The staff conducted an examination of Freeman Spogli Management Co., L.P. ("Registrant"), with an on-site review from April 1, 2013 and ending on April 3, 2013, for the purpose of evaluating Registrant's compliance with certain provisions of the federal securities laws. Our examination identified the deficiencies and weaknesses that are described in the enclosed *Examination Findings*, and which were discussed with Mr. Bill Wardlaw and Mr. Lou Losorelli during an exit interview held on May 8, 2013.

We are bringing these deficiencies and weaknesses to your attention for immediate corrective action, without regard to any other action(s) that may result from the examination. The deficiencies and weaknesses described in the *Examination Findings* are based on our examination and are not findings or conclusions of the Commission. You should not assume: that the firm's activities discussed in the *Examination Findings* do not constitute deficiencies or weaknesses under any other federal securities law or other applicable rules and regulations not discussed in the *Examination Findings*; or that firm's activities not discussed in the *Examination Findings* are in full compliance with federal securities laws or other applicable rules and regulations.

Note that the descriptions of the law and related interpretations in the *Examination Findings* may be paraphrased or abbreviated. Please visit our website at http://www.sec.gov/divisions.shtml

for additional information related to these regulatory requirements.

Please respond in writing to each of the matters described in the *Examination Findings* within thirty days of the date of this letter, describing the steps you have taken or intend to take with respect to each of these matters.

Thank you for your cooperation. If you have any questions, please contact Bryan Bennett at (323) 965-3331 or Eric Lee at (323) 965-4542.

Very truly yours,

Daniel Jung,
Assistant Director

By:
Bryan Bennett, Exam Manager
Investment Management Examinations

Examination Findings
IA2013LARO00026
(SEC File No. 801-73816)

I. Transaction Fees and Director Fees Received By Affiliated Executives

Section 206(1) and 206(2) of the Investment Advisers Act of 1940 (the "Advisers Act") imposes a fiduciary duty on an investment adviser with respect to its clients. (See *SEC v. Capital Gains Research Bureau, Inc.*, 375 U.S. 180, 189-92 (1963)). Among the obligations that flow from an adviser's fiduciary duty is a duty to exercise good faith and to make full and fair disclosure of all material facts to their clients. Further, Rule 206(4)-8 under the Advisers Act, effective September 10, 2007, prohibits advisers to pooled investment vehicles from making false or misleading statements to, or otherwise defrauding, investors or prospective investors in those pooled vehicles.

Freeman Spogli Management Co., L.P. ("Registrant") serves as the investment adviser to FS Equity Partners V, LP ("Fund V") and FS Equity Partners VI, LP ("Fund VI") (together, Fund V and Fund VI are "the Funds"), each of which is a pooled investment vehicle. Fund V was formed according to the terms of a limited partnership agreement, dated as of December 18, 2002, which was amended several times, with the last amendment occurring on March 17, 2004. The operative agreement of Fund VI is the second amended and restated limited partnership agreement, dated as of August 20, 2009, and last amended as of August 17, 2011. The partnership agreements state that the Funds will pay management fees to Registrant and that the management fees will be reduced by defined portions of director fees, including stock options granted to directors, and transaction fees paid in relation to partnership investments. The partnership agreements also limit the persons who can receive such fees to Registrant and Registrant's affiliates. However, the examination disclosed that Registrant did not reduce its management fees from the Funds for fees received by certain of Registrant's affiliates and, in at least one instance, that Registrant remitted a portion of transaction fees to a party other than those disclosed in the partnership agreements.

These partnership agreements, at Section 5.7.5, state that "Transaction Fees and Director Fees will be paid solely to the Management Company (i.e., Registrant) or to a G.P. Affiliate entitled to them . . ." and that the partnership management fee will be reduced by 80% to 100% of the net transaction fees (depending on the partnership and the date of receipt of the fee) and 100% of the directors fees, subject to a defined offset percentage. The partnership agreements define "Transaction Fees" as ". . . the Partnership's Allocable Share of any net fees received by the Management Company or any G.P. Affiliate from a Portfolio Company or other third party for services in connection with an Investment . . . [which] would include breakup fees, transaction fees, and any fees for investment banking or similar services, but not Director Fees." "Director Fees" are defined as "the Partnership's Allocable Share of fees and the value at the time disposed of (or upon liquidation of the Partnership, if earlier) of any options, warrants or other non-cash

compensation, paid by a Portfolio Company to the Management Company or any G.P. Affiliate for services rendered as a director (or similar person) of the Portfolio Company (but not including any reimbursement of expenses of any such person by the Portfolio Company), and fees for monitoring, consulting, or similar services to a Portfolio Company." Furthermore, the partnership agreements define "G.P. Affiliates" as the "General Partner, the Principals, the Management Company, or any of their respective Affiliates . . ." Finally, an Affiliate is defined as "any Person that, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with such Person, and the term 'affiliated' has a correlative meaning." Thus, it appears that only the Management Company (i.e., Registrant) or a G.P. Affiliate should receive transaction fees and director fees, including stock options, and that any such fees received should reduce the management fee due from the Funds.

One such type of G.P. Affiliate appears to be Registrant's team of "Affiliated Executives," consisting of former executives in the industries targeted by the Funds that provide due diligence services regarding investments in portfolio companies. In return for their exclusive agreements to advise Registrant, Affiliated Executives receive an annual consulting fee. These Affiliated Executives may be eligible for a bonus, and Registrant will reimburse the Affiliated Executives for their out-of pocket expenses incurred in connection with conducting due diligence on prospective portfolio companies. Some of these Affiliated Executives utilize Registrant's administrative staff, keep office space, and receive mail at Registrant's offices. Moreover, Registrant prominently features these Affiliated Executives on its website and in its other marketing materials as key drivers of the success of the partnerships managed by Registrant. Registrant informed the staff that, after acquiring a portfolio company, Registrant places one or more of the Affiliated Executives on the portfolio company's board of directors and provides specific guidance or instructions on how Registrant expects the Affiliated Executive to improve the portfolio company. Given the above, it appears that Registrant possesses a significant amount of control over the Affiliated Executives and, as such, each Affiliated Executive would appear to be a "G.P. Affiliate" as defined by the partnership agreements.

Affiliated Executives have frequently received transaction fees in connection with investments in portfolio companies. Affiliated Executives have also received director fees, in both cash and stock options, for serving on the boards of directors of portfolio companies. However, despite the fact that the Affiliated Executives appear to be "G.P. Affiliates" as defined by the partnership agreements, Registrant did not reduce its management fees from the Funds by the amount of transaction fees or director fees received by Affiliated Executives, as required in the partnership agreements.

Trade Secret

The limited partnership agreement does not appear to disclose the possibility that Registrant would share a portion of the transaction fees received by Registrant from a portfolio company, which would otherwise reduce the management fee due from the Fund, with an unaffiliated party and not subsequently reduce the management fee by such shared amount.

Trade Secret

Registrant's failure to reduce its management fees to account for the compensation its Affiliated Executives received in transaction fees and director fees, and to account for the transaction fees it shared with an unaffiliated party, despite the requirement to do so pursuant to the limited partnership agreements, appears inconsistent with its fiduciary duty under Sections 206(1) and 206(2) of the Advisers Act and with Rule 206(4)-8 subsequent to the effective date of the rule.

The staff believes that Registrant should reimburse Fund V and Fund VI for the amount of transaction fees and director fees, including the value of any "disposed" stock options, that Registrant failed to offset against the management fees charged to Fund V and Fund VI. In response to this letter, please provide the total amount of unreimbursed transaction fees and director fees, including "disposed" stock options, received by the Affiliated Executives along with the support for the calculation. Please also describe how you intend to effect the reimbursement or provide evidence of any completed reimbursement.

II. Transaction-Based Compensation

Section 15(a)(1) of the Securities Exchange Act of 1934 ("Exchange Act") generally provides that it is unlawful for a broker or dealer "to effect any transactions in, or to induce or attempt to induce the purchase or sale of, any security . . . unless such broker or dealer is registered" with the Commission. Section 3(a)(4)(A) of the Exchange Act defines the term "broker" to mean "any person engaged in the business of effecting transactions in securities for the account of others." We note in this regard that the Commission has stated that a person may "effect transactions," among other ways, by assisting an issuer to structure prospective securities transactions, helping an issuer to identify potential purchasers of securities, and soliciting securities transactions. The Commission also has explained that solicitation is one of the most relevant factors in determining whether a person is effecting transactions. With respect to being "engaged in the business," courts have held that regularity of participation in securities transactions at key points in the chain of distribution is the primary indication that one is engaged "in the business" of effecting securities transactions for the account of others, thereby acting as a broker. Receipt of transaction based compensation generally is viewed as an indication that a person is "engaged in the business," and, therefore, is a broker.

The examination disclosed that Registrant and its Affiliated Executives received transaction-based compensation related to certain securities transactions. For instance, Registrant and its Affiliated Executives received fees paid by a portfolio company upon completion of the acquisition of the portfolio company by Fund V or Fund VI, similar to investment banking fees.

Trade Secret

Consequently, it appears as though Registrant and its Affiliated Executives may be and have been acting as unregistered broker-dealers based on the receipt of such compensation. Please explain any legal analysis conducted by, or on behalf of, Registrant in determining whether broker-dealer registration is appropriate, including any legal basis or authority on which Registrant has relied.