FREMONT GENERAL CORP
Form DEF 14A
April 14, 2005

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SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant x

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Check the appropriate box:

o Preliminary Proxy Statement
x Definitive Proxy Statemento Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))o Definitive Additional Materialso Soliciting Material Pursuant to sec. 240.14a-11(c) or sec. 240.14a-12

FREMONT GENERAL CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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x Fee not required.
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(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
MAY 19, 2005

The Annual Meeting of the Stockholders of Fremont General Corporation (the Company) will be held at Loews Santa Monica Beach Hotel, located at 1700 Ocean Avenue, in Santa Monica, California 90401, on Thursday, May 19, 2005 at 2:30 p.m., for the following purposes:

1. Election of seven directors to serve until the next Annual Meeting or until their successors have been elected and qualified;

2. Ratification of the appointment of Ernst & Young LLP as independent auditor; and

3. Transaction of such other business as may be properly brought before the meeting and any postponement or adjournment thereof.

Only stockholders of record at the close of business on April 7, 2005 will be entitled to vote at the meeting and any postponement or adjournment thereof. A list of such stockholders will be open to the examination of any stockholder at the meeting and for a period of ten days prior to the date of the meeting at the executive offices of Fremont General Corporation, located at 2425 Olympic Boulevard, 3rd Floor, in Santa Monica, California.

Please sign, date and return the enclosed proxy form as soon as possible in the envelope provided, which requires no United States postage, or submit your proxy via the Internet or by telephone. Specific instructions on how to vote via the Internet or by telephone are included on the enclosed proxy form, which you will need to have in hand when you call or go online. If you plan to attend the meeting and wish to vote your shares in person, you may do so at any time before the proxy is voted.

All stockholders are cordially invited to attend the meeting.

Alan W. Faigin, Secretary

April 19, 2005

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FREMONT GENERAL CORPORATION

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS
May 19, 2005

This Proxy Statement is furnished in connection with the solicitation of proxies by Fremont General Corporation, a Nevada corporation (hereinafter called the Company or Fremont General), on behalf of the Board of Directors to be used at the Annual Meeting of Stockholders on Thursday, May 19, 2005 at 2:30 p.m. and at any postponement or adjournment thereof (the Annual Meeting). The Annual Meeting will be held at Loews Santa Monica Beach Hotel, 1700 Ocean Avenue, 2nd Floor Ballroom, in Santa Monica, California 90401. You may submit your vote by phone, by Internet or by completing, signing, dating and returning the enclosed proxy form in the envelope provided. Unless contrary instructions are indicated in your instructions, the persons designated as proxy holders in the proxy card will vote all shares represented by valid proxies received pursuant to this solicitation (and not revoked before they are voted) *for* each of the following proposals: (i) the election of the seven nominees for directors named below (ii) the ratification of the appointment of Ernst & Young LLP as independent auditor, and (iii) as recommended by the Board of Directors with regard to any other matters, or if no recommendation is given, in their own discretion.

A proxy may be revoked by a stockholder at any time before it is exercised by giving written notice of revocation to the Secretary of the Company or to the inspectors of election, or by delivering prior to the time of the Annual Meeting a properly executed proxy bearing a later date. Stockholders having executed and returned a proxy, who attend the meeting and desire to vote in person, whether by proxy, voice vote or ballot, may revoke their prior proxy in that manner.

The Company will bear the cost of soliciting the proxies. In addition to the use of mails, proxies may be solicited by personal contact, telephone or telegraph, electronically via the Internet and by officers, directors and other employees of the Company. The Company will also request persons, firms and corporations holding shares in their names, or in the names of their nominees, which are beneficially owned by others, to send proxy material to, and obtain voting instructions from, such beneficial owners and will reimburse these holders for their reasonable expenses in so doing. The Company has retained Georgeson Shareholder, 17 State Street, New York, New York 10004, to assist with the solicitation of proxies for a fee of $6,500, plus reimbursement of out-of-pocket expenses.

It is important that your shares are voted and represented at the meeting regardless of the number of shares you hold. If you are not attending the meeting in person, we ask that you submit your vote instructions by telephone, by Internet, or by signing, dating and returning the enclosed proxy form as soon as possible. Instructions for voting by Internet and by telephone are described on the enclosed proxy form. There are separate Internet and telephone voting arrangements for stockholders that hold their shares directly in their own name and for stockholders that hold their shares through a bank, broker or another. Please check the enclosed proxy form or other information provided by the bank, broker or other holder to determine the voting options available.

The principal executive office of the Company is located at 2425 Olympic Boulevard, 3rd Floor, Santa Monica, California 90404. The approximate date when this Proxy Statement and form of proxy are being first sent to stockholders is April 19, 2005.

VOTING SECURITIES AND VOTE REQUIRED

The Board of Directors has fixed the close of business on April 7, 2005 (the Record Date) as the record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting.

As of the Record Date there were 77,855,284 shares of common stock outstanding, which are the only voting securities of the Company. Unless otherwise noted, information in this proxy statement as to stock

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ownership are given as of the Record Date. Each stockholder of record at the close of business on the Record Date is entitled to one vote for each share of common stock then held on each matter to come before the meeting. There is no cumulative voting with respect to the election of directors. We must have a quorum at the Annual Meeting to transact any business. For a quorum to be present, a majority of our outstanding shares of common stock must be represented in person or by proxy at the Annual Meeting. For purposes of determining a quorum, shares held by brokers or nominees will be treated as present even if the broker or nominee does not have discretionary power to vote on a particular matter or if instructions were never received from the beneficial owner. Abstentions will be counted as present for quorum purposes.

If a quorum is present, the seven nominees for director receiving the highest number of votes will be elected. To approve the other proposal, a majority of the votes cast on the proposal must vote in favor of the proposal, provided that the total vote cast on the proposal represents over 50% in interest of the shares entitled to vote on the proposal. If a broker indicates on its proxy that it does not have discretionary authority to vote on a particular matter, we will treat the affected shares as not present and not entitled to vote with respect to that matter, even though the same shares may be considered present for quorum purposes and may be entitled to vote on other matters. Proxies marked abstain will be counted as votes cast against the proposal.

Votes cast by proxy or in person at the Annual Meeting will be counted by the persons appointed by the Company to act as election inspectors for the meeting.

Any executed but unmarked proxies, including those submitted by brokers or nominees, will be voted *for* each of the proposals and nominees of the Board of Directors, as indicated in the accompanying proxy form.

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ITEM 1
ELECTION OF DIRECTORS

At the Annual Meeting, seven directors are to be elected to serve until the next annual meeting of stockholders and until their respective successors are elected and qualified. The shares represented by validly executed proxies will be voted for the election of the nominees named below as directors, unless authority to vote for a director or directors is withheld. If any nominee for any reason presently unknown cannot be a candidate for election or if a vacancy should occur before the election (which events are not anticipated), the shares represented by valid proxies will be voted in favor of the remaining nominees and may be voted for the election of a substitute nominee recommended by the Board of Directors (or the number of authorized directors may be reduced).

Our Board of Directors currently consists of seven directors, four of whom are independent directors. The Board, upon recommendation by the Governance and Nominating Committee, has nominated the seven seated directors for re-election to the Board of Directors and recommends you vote in favor of their election.

The information set forth below as to each nominee for director has been furnished to the Company by the respective nominees for director:

Name	Age	Principal Business Experience During Past Five Years and Certain Other Directorships	Director Since
James A. McIntyre(1)	72	Chairman of the Board.	1972
Wayne R. Bailey	50	Executive Vice President and Chief Operating Officer of the Company since May 2004. Executive Vice President, Treasurer and Chief Financial Officer of the Company from May 1995 to May 2004; Senior Vice President and CFO of the Company from February 1994 to May 1995; Vice President and CFO from 1990 to 1994. Director and officer of certain subsidiary companies during the past 18 years.	1996
Thomas W. Hayes(2)(3)(4)	59	Chief Executive Officer and Chairman, TWH Advisors LLC, a consulting services firm, since 2002; formerly President and Director of MetWest Securities/Metropolitan West Financial, Inc., a multi-billion dollar investment management company, from December 1994 through December 2001; formerly Director of the Financial Restructuring Team/Financial Advisory, Orange County California from December 1994 to February 1995; Representative, Orange County Investment Pool from 1996 to February 2000; Director of Finance for the State of California from January 1991 to July 1993; Treasurer for the State of California from January 1989 to January 1991; Auditor General for the State of California from January 1979 to January 1989. Also director and chairman of the audit committee of Fremont Investment & Loan, a subsidiary of the Company.	2001
Robert F. Lewis(1)(2)(3)(4)	68	Attorney and founding partner, Lewis Brisbois Bisgaard & Smith LLP, since 1979. Also director and member of the audit committee of Fremont Investment & Loan, a subsidiary of the Company.	2002

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Name	Age	Principal Business Experience During Past Five Years and Certain Other Directorships	Director Since
Russell K. Mayerfeld(2)(3)(4)	51	Managing Member, Excelsus LLC, an advisory services firm, since 2004; advisory services and private investor from April 2003 to March 2004; Managing Director, Investment Banking, UBS Warburg LLC and predecessors from May 1997 to April 2003; Managing Director, Investment Banking, Dean Witter Reynolds, Inc. from 1988 to 1997. Also director and member of the audit committee of Fremont Investment & Loan, a subsidiary of the Company.	2004
Louis J. Rampino(1)	52	President and Chief Executive Officer of the Company; director and officer of the Company and certain subsidiary companies during the past 22 years; employee for 27 years.	1994
Dickinson C. Ross(3)	81	Retired; formerly Chairman of Johnson & Higgins of California, an international insurance brokerage firm.	1987

(1) Member of the Executive Committee (Mr. McIntyre, Chairman).

(2) Member of the Audit Committee (Mr. Hayes, Chairman).

(3) Member of the Compensation Committee (Mr. Ross, Chairman).

(4) Member of the Governance and Nominating Committee (Mr. Lewis, Chairman).

The Board of Directors (the Board) held nine meetings during 2004. The average attendance by directors at scheduled meetings of the Board and committees of which they are members was over 99%. The independent directors meet in executive session at meetings of the Board and Audit Committee. The director to preside during the executive session is determined at the beginning of the meeting. The Company requests that Board members attend the Annual Meeting of Stockholders and all directors were present at the 2004 Annual Meeting.

The Board of Directors of the Company recommends a vote FOR the nominees listed above.

Committees of the Board of Directors

The Board has appointed only independent non-employee directors to the Audit, Compensation and Governance and Nominating committees. A majority of the Board consists of independent directors. For a director to be considered independent, the Board must determine that the director does not have any direct or indirect material relationship with the Company, and conforms to the independence requirements in the New York Stock Exchange listing rules. In making an independence determination, the Board will consider all relevant facts and circumstances. The Board has determined that directors Hayes, Lewis, Mayerfeld and Ross satisfy the New York Stock Exchange s independence requirements.

Members of the Audit Committee must also satisfy an additional Securities and Exchange Commission (SEC) independence requirement, which provides that they may not accept directly or indirectly any consulting, advisory or other compensatory fee from Fremont General or any of its subsidiaries other than their directors compensation. The Board has determined that all members of the Audit, Compensation and Governance and Nominating committees satisfy the applicable SEC independence requirements.

Audit Committee. The members of the Audit Committee are independent directors Hayes, who chairs the committee, Lewis and Mayerfeld. The Audit Committee meets with management, the independent auditor and the internal auditors to make inquiries regarding the manner in which the responsibilities of each are being discharged and to report their findings to the Board of Directors. The Audit Committee meets separately, without management present, with the independent auditor and with the internal auditors. The Audit Committee also meets in executive session. This committee is primarily concerned with the integrity of the Company s financial statements, compliance by the Company with legal and regulatory requirements and the independence and performance of the Company s internal and external auditors. The Audit Committee met fifteen times during 2004. The Board has determined that members of the Audit Committee satisfy the criteria required under applicable SEC and New York Stock Exchange standards for independence and financial literacy.

Audit Committee Financial Expert. The Board has determined that director Hayes satisfies the criteria for classification as an audit committee financial expert as set forth in the applicable rules of the SEC.

See Principal Business Experience During Past Five Years and Certain Other Directorships and Report of the Audit Committee. The Audit Committee Charter may be found in Appendix A.

Compensation Committee. The members of the Compensation Committee are independent directors Ross, who chairs the committee, Hayes, Lewis and Mayerfeld. This committee s primary responsibility is to review and make recommendations to the Board with respect to management s proposals regarding the Company s various compensation programs, to administer the Company s restricted stock and stock option award plans and annual and long-term incentive compensation plans, and to make awards and other contractual arrangements for the top five executive officers that are intended to be qualified under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). The Compensation Committee conducts an annual performance review of the Chief Executive Officer and approves compensation and stock grants to senior executives. The Compensation Committee periodically evaluates and recommends to the Board the compensation of outside directors. This committee met nine times during 2004. The Board of Directors has determined that all members of this committee are outside independent directors within the meaning of Section 162(m) of the Code, and non-employee, independent directors within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934 (the Exchange Act). See Report of the Compensation Committee. The Compensation Committee Charter may be found in Appendix B.

Governance and Nominating Committee. The members of the Governance and Nominating Committee are independent directors Lewis, who chairs the committee, Hayes and Mayerfeld. The purpose of this committee is to identify individuals qualified to become members of the Board and to recommend individuals to the Board for nomination as members of the Board and its committees, to develop and recommend to the Board a set of corporate governance principles applicable to the Company and to oversee an evaluation process of the Board and management. This committee met seven times during 2004. The Governance and Nominating Committee Charter may be found in Appendix C. The Company s Guidelines on Significant Governance Issues may be found in Appendix D.

In nominating candidates, the Governance and Nominating Committee will take into consideration such factors as it deems appropriate. These factors may include judgment, skill, diversity, experience with businesses and other organizations of comparable size, the interplay of the candidate s experience with the experience of other Board members, and the extent to which the candidate would be a desirable addition to the Board and any committees of the Board. The minimum qualifications and attributes that the Governance and Nominating Committee will consider necessary for a director nominee include: the ability to apply good business judgment, the ability to exercise his or her duties of loyalty and care, proven leadership skills, diversity of experience, high integrity and ethics, the ability to understand principles of business and finance and familiarity with issues affecting businesses.

Executive Committee. The members of the Executive Committee are directors McIntyre, who chairs the committee, Rampino and Lewis. This committee has the authority to exercise the powers of the Board of Directors in the management of the Company in accordance with the policy of the Company when the Board is not in session, except for actions specifically required by statute to be performed by the full Board. There were no Executive Committee meetings during 2004.

Compensation of Directors

Directors who are not employees of the Company or any of its subsidiaries are paid a monthly fee of $2,000. Non-employee directors who also serve on the Audit Committee are paid a monthly fee of $2,500 instead of $2,000. No additional compensation is provided for members of the other committees of the Board of Directors. Non-employee directors are also paid a per meeting fee of $1,500 for their attendance at regular and special meetings of the Board of Directors. Directors are reimbursed for actual expenses incurred to attend such meetings. Directors who are employees of the Company or any subsidiary are not paid compensation for serving as directors or members of committees of the Board or for attendance at meetings thereof.

The Board of Directors previously adopted a retirement plan for non-employee directors who retire from active service on the Board after completing at least five consecutive years of service as a director of the Company. Under the plan, the Company will continue paying monthly service fees equal to the monthly fees then in effect for three years after an eligible director s retirement from the Board. At the Company s discretion, a lump sum payment of such fees may be made to the retired director. Such benefits as remain owing are extended to the surviving spouse of an eligible director who dies prior to retirement or during the three-year period thereafter. In March 2001, Houston I. Flournoy retired from the Company s Board of Directors and received fees under this retirement plan until March 2004. David W. Morrisroe s widow is eligible to receive payment of fees under this retirement plan until September 2005.

There are no outstanding non-employee director stock options and no stock options have been granted to non-employee directors since 1997.

In 1996, each then seated non-employee director, which included Mr. Ross, was awarded 52,000 shares (as adjusted for the two-for-one stock split distributed on December 10, 1998) of restricted common stock under the Company s 1995 Restricted Stock Award Plan, as amended (the 1995 Plan). The restrictions on these shares will generally be released at the rate of 10% per year beginning on January 1, 1997, and on each of the nine anniversaries thereafter, provided that the director is still serving on the Board of Directors and the Company has not exercised its reacquisition option with respect to such shares. In 2001, Mr. Hayes was awarded 24,000 shares of restricted common stock under the 1995 Plan. The restrictions on these shares were released at the rate of 25% per year beginning on January 1, 2002, and on each of the three anniversaries thereafter. In 2002, Mr. Lewis was awarded 24,000 shares of restricted common stock under the 1997 Plan. Restrictions on these shares will generally be released at the rate of 25% per year beginning on the first designated release date, commencing on January 1, 2003, and on each of the three anniversaries thereafter, provided he is still on the Board and the Company has not exercised its reacquisition option with respect to such shares. In 2004, Mr. Mayerfeld was awarded 24,000 shares of restricted common stock under the 1997 Plan. Restrictions on these shares will generally be released at the rate of 25% per year beginning on the first designated release date, commencing on January 1, 2005, and on each of the three anniversaries thereafter, provided he is still on the Board and the Company has not exercised its reacquisition option with respect to such shares. Of the shares awarded to non-employee directors, 29,200 shares remain subject to restrictions, as of the date of this proxy statement. Restricted stock awarded under the 1995 Plan and the 1997 Plan include dividend rights and non-employee directors have been paid non-preferential quarterly cash dividends on their restricted shares.

Directors Hayes, Lewis and Mayerfeld also serve on the board of directors and audit committee of Fremont Investment & Loan (FIL), a subsidiary company, for which FIL pays director fees of $2,000 per month to each of the non-employee directors. Directors of FIL are elected annually. Directors Hayes, Lewis and Mayerfeld were first elected to FIL s board in 2001, 2003 and 2004, respectively. During 2004, FIL paid director fees of $24,000 to Mr. Hayes, $26,000 ($2,000 attributable to 2003) to Mr. Lewis and $16,000 to Mr. Mayerfeld. Mr. Hayes also serves on the Board of Directors of Fremont Mortgage Securities Corporation, a subsidiary company of FIL, for which no director fees were paid.

Stockholders may communicate concerns to any of our directors, committee members or to the Board of Directors by writing to the following address: Fremont General Corporation Board of Directors, Fremont General Corporation, 2425 Olympic Boulevard, 3rd Floor, Santa Monica, California 90404, Attention: Corporate Secretary. Please specify to whom your correspondence should be directed. The Corporate Secretary will promptly forward all correspondence to the relevant director, committee member or the full Board, as indicated in the correspondence.

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Governance

Fremont General has strong corporate governance practices. Included in those practices are those set forth in the Company s Guidelines on Significant Governance Issues (Governance Guidelines), Audit Committee Charter, Compensation Committee Charter, Governance and Nominating Committee Charter and Code of Ethics for Senior Financial Officers, which are included in this proxy statement as Appendix A through Appendix E. These documents and the Company s Code of Conduct can be found on the Company s Internet website at www.fremontgeneral.com. The Board reviews the Governance Guidelines and the committee charters at least annually. In addition, the Board and each of the three committees of the Board conduct annual self-assessment evaluations.

Executive Officers

The following table sets forth the names, ages, employment dates and positions of the executive officers and certain other officers of the Company and the date each became an officer of the Company (or its predecessor companies). All executive officers have been with the Company for over five years and have served as officers of the Company and its subsidiary companies. Executive officers are elected annually by the Board of Directors. There are no family relationships among directors, nominees for director and executive officers.

Name	Position	Age	Employee Since	Officer Since
James A. McIntyre	Chairman of the Board	72	1963	1963
Louis J. Rampino	President and Chief Executive Officer	52	1977	1989
Wayne R. Bailey	Executive Vice President and Chief Operating Officer	50	1986	1989
Patrick E. Lamb	Senior Vice President, Treasurer and Chief Financial Officer	45	1986	1998
Raymond G. Meyers	Senior Vice President and Chief Administrative Officer	58	1980	1989
Murray L. Zoota	President and Chief Executive Officer of Fremont Investment & Loan(1)	60	1990	1990
Monique P. Johnson	Senior Vice President, Internal Audit	45	2003	2003
Alan W. Faigin	Secretary, General Counsel and Chief Legal Officer	48	1980	1994
Marilyn I. Hauge	Vice President and Assistant Secretary	56	1995	1997

(1) Acquired by the Company in 1990. Mr. Zoota was an officer of the predecessor company since 1977.

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REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The following Report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates this Report by reference therein.

The Audit Committee of the Board of Directors of the Company (the Audit Committee) assists the Board in fulfilling its responsibility for oversight of the integrity of the financial statements, compliance by the Company with legal and regulatory requirements and the independence and performance of the Company s internal and external auditors. The Audit Committee is solely responsible for the appointment, compensation and oversight of the work of the Company s independent auditing firm. During the fiscal year ended December 31, 2004, the Audit Committee met fifteen times. The Audit Committee discussed the interim financial information contained in the quarterly earnings announcements with the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, and the independent auditor prior to public release. The Audit Committee s written charter is included in this proxy statement as Appendix A. All members of the Audit Committee are independent as defined in the rules of the New York Stock Exchange. The Board of Directors has determined that members of the Audit Committee satisfy the criteria required under applicable Securities and Exchange Commission and stock exchange standards for independence and financial literacy and that director Thomas W. Hayes satisfies the criteria for classification as an audit committee financial expert as set forth in the applicable rules of the Securities and Exchange Commission.

The Audit Committee has reviewed and discussed with the Company s management and with Ernst & Young LLP, the Company s independent auditor, the audited statements of the Company as of December 31, 2004 (the Audited Financial Statements). In addition the Audit Committee discussed with Ernst & Young LLP matters that independent accounting firms must discuss with audit committees under generally accepted auditing standards and standards of the Public Company Accounting Oversight Board (PCAOB), including matters related to the conduct of the audit of the Company s consolidated financial statements and matters required by Statement on Auditing Standards No. 61, as amended (Communication with Audit Committee).

Ernst & Young LLP has provided to the Audit Committee the written disclosures and the letter required by Independence Standard No. 1 and has represented that it is independent from the Company. The Audit Committee discussed with Ernst & Young LLP the matters required by Independence Standards Board Statement No. 1, including Ernst & Young LLP s independence from the Company. When considering Ernst & Young LLP s independence, the Audit Committee considered if services they provided to the Company beyond those rendered in connection with their audit of the Company s consolidated financial statements, reviews of the Company s interim condensed consolidated financial statements included in its Quarterly Reports on Form 10-Q and the attestation of management s report on internal control over financial reporting were compatible with maintaining their independence. The Audit Committee also reviewed, among other things, the audit, audit-related and tax services performed by, and the amount of fees paid for such services to Ernst & Young LLP. Pre-approval by the Audit Committee is required for non-audit services performed by Ernst & Young LLP. The Audit Committee also discussed with management of the Company and the auditing firm such other matters and received such assurances from them as the Audit Committee deemed appropriate.

Management is responsible for the Company s internal controls and the financial reporting process. Ernst & Young LLP is responsible for performing an independent audit of the Company s financial statements in accordance with generally accepted auditing standards and issuing a report thereon, and for attesting to management s report on the Company s internal control over financial reporting. The Audit Committee s responsibility is to monitor and oversee these processes. The Audit Committee relies, without independent verification, on the information provided to it and on the representations made by management and the independent auditor.

The Audit Committee met with Ernst & Young LLP, and with the internal auditors, with and without management present, to discuss the results of their examinations and their evaluations of the Company s internal controls. The Audit Committee reviewed and discussed the Company s progress on complying with Section 404 of the Sarbanes-Oxley Act of 2002, including the PCAOB s Auditing Standard No. 2 regarding the audit of internal control over financial reporting.

Based on the foregoing review and discussions with management and the independent auditor, and a review of the report of Ernst & Young LLP with respect to the Company s Audited Financial Statements, and relying thereon, the Audit Committee recommended to the Board of Directors that the Company s Audited Financial Statements for the year ended December 31, 2004 be included in the Company s Annual Report on Form 10-K. The Audit Committee appointed Ernst & Young LLP as the Company s independent auditor for the fiscal year ended December 31, 2005.

Audit Committee

Thomas W. Hayes, Chairman
Robert F. Lewis
Russell K. Mayerfeld

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REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS ON EXECUTIVE COMPENSATION

The following Report of the Compensation Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates this Report by reference therein.

The Compensation Committee of the Board of Directors of the Company (the Committee) is comprised of independent, outside directors within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code) and independent, non-employee directors within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, respectively, who also meet the independence requirements of the New York Stock Exchange. The Compensation Committee s written charter is included in this proxy statement as Appendix B. The Committee believes that compensation should be driven by the long term interests of the stockholders and should be directly linked to corporate performance.

The compensation policy of the Company with respect to its executives and employees has long been and continues to be focused on paying for performance principally as related to achievement of pretax earnings targets.

The executive compensation program for officers of Fremont General is composed of three basic components tied to financial objective performance standards: (1) base salary, (2) annual cash and stock ownership bonus opportunity, and (3) long term cash and stock ownership bonus opportunity. The Committee is provided periodically with reports and data developed by internal Company staff and by retained nationally recognized outside compensation consultants, in keeping with the stated policy of the Committee and to ascertain that the Company s compensation practices are comparable to those of companies which have similar businesses and size.

Compensation Limitations. Under Section 162(m) of the Code, adopted in August 1993, and regulations adopted thereunder, publicly-held companies may be precluded from deducting compensation paid to certain executive officers in excess of $1 million in any one year, excluding from this limit performance-based compensation. While the Committee designs certain components of its executive compensation program to comply with the requirements of Section 162(m), it believes that stockholder interests are best served by not restricting the Compensation Committee s discretion and flexibility in designing its overall compensation program, even though such program may result in some non-deductible compensation expenses. Accordingly, the Committee has from time to time approved, and may in the future approve, compensation arrangements for certain officers that are not fully deductible. The Company has traditionally had annual and three-year performance based bonus plans under which executive officers participated. In 2004, stockholders of the Company approved the executive officer annual and long-term performance based bonus plans. Compensation paid to the executive officers under these plans qualifies under Section 162(m) of the Code and the Company can realize income tax deductions on this compensation.

Base Salary

Base salary represents only a portion of each executive s total targeted cash compensation opportunity each year. Individual annual performance criteria are used to adjust the base salary. The current annual base salary rates of the executive officers identified in the Summary Compensation Table are as follows: Mr. McIntyre $800,000; Mr. Rampino $800,000; Mr. Bailey $700,000; Mr. Lamb $350,000; Mr. Meyers $325,000; and Mr. Zoota $475,000. See Employment Agreements.

Executive Officer Annual Bonus Plan

The Company places significant emphasis on attaining predetermined pretax earnings targets. It provides each executive with an opportunity to earn an annual bonus upon the Company s achievement of those goals.

Bonus targets represent the balance of each executive s total targeted annual cash compensation opportunity, and range from 10% to 50% of each executive s base salary. These individual target bonus amounts are set by the Committee at the beginning of the plan year to reflect the ranking and relative level of contribution each executive is expected to make to the achievement of the Company s predetermined pretax earnings targets. Actual bonuses earned can range from 50% of the executive s target amount for performance at the minimum acceptable earnings level as set by the Committee, to a maximum of three times the target amount for earnings substantially in excess of the Company s pretax earnings goals.

In February 2004, the Committee approved, and the Board ratified, pretax earnings targets for 2004 bonuses payable in 2005, upon achievement of the targets, to executive officers of the Company under the Executive Officer Annual Bonus Plan for the performance period of January 1, 2004 through December 31, 2004 (the 2004 Annual Plan). The 2004 Annual Plan related to all executive officers. The Committee approved minimum, target and maximum bonus award levels, as a percent of salary, for the executive officers under the 2004 Annual Plan based upon achievement of 80% to 120% of the pre-established pretax earnings targets for 2004. Salary levels at year end are used to calculate bonuses. At the end of the one-year performance period, the Committee determined the extent to which the 2004 pretax earnings target had been achieved and authorized payouts to the executive officers under the 2004 Annual Plan. Bonuses were paid in cash at 100% of the amount of the cash bonus earned plus an award of shares of restricted common stock equal to 100% of the amount of the cash bonus earned. The number of shares of restricted stock was determined by dividing 100% of the amount of the cash bonus earned under the 2004 Annual Plan by the fair market value of Company common stock on the date of grant, as determined under the 2004 Annual Plan. The awards of restricted stock were made in February 2005 under the Company s 1997 Stock Award Plan and include dividend rights. Restrictions on the shares awarded will be released in one-third increments beginning on January 1, 2006. The Company can realize favorable tax deductions on the compensation paid under the 2004 Annual Plan to the executive officers because it qualifies under Section 162(m) of the Code. A similar Annual Plan was approved by the Committee for 2005 under which earned compensation will qualify under Section 162(m) of the Code. See Retirement and Other Benefit Plans Executive Officer Annual Bonus Plan and 1997 Stock Plan.

Long Term Compensation

In addition to annual compensation considerations, the Company has adopted the following three forms of long term compensation that focus the executives on increasing stockholder value over the long term by aligning the interests of the officers with those of the stockholders.

Bonus Opportunity:

A Long Term Incentive Compensation Plan (LTICP) provides for a cash bonus opportunity dependent upon the Company achieving a predetermined cumulative pretax earnings target over a three-year period. See Summary Compensation Table and Retirement and Other Benefit Plans Long Term Incentive Compensation Plan. Executive officers have participated in the Company s LTICP.

In 2002, the Committee and Board approved the cumulative pretax earnings target for the three-year performance period for bonuses payable in 2005, upon achievement of the target, to executive officers of the Company under the LTICP. The LTICP s performance period was January 1, 2002 through December 31, 2004. The Committee pre-approved minimum, target and maximum bonus award levels, as a percent of salary, for the executive officers under the LTICP based upon achievement of 80% to 120% of the pre-established cumulative pretax earnings target. An average of the executive s salary at year end for each of the three years was used in the bonus calculation. In February 2005, the Committee determined the extent to which the cumulative pretax earnings target had been achieved and authorized payouts to the executive officers under the LTICP. Bonuses were paid in cash at 100% of the amount of the cash bonus earned.

In 2004, the Company s stockholders approved the Executive Officer Long Term Incentive Compensation Plan (the Long Term Plan), which is similar to the LTICP. The Company can realize income tax deductions for the compensation paid under the Long Term Plan to the executive officers because it will qualify under Section 162(m) of the Code. In 2005, the Committee approved and the Board ratified a three-year executive officer incentive compensation bonus plan for the three-year period of January 1, 2005 through December 31, 2007 under the Company s Long Term Plan (the 2005 Long Term Plan).

See Retirement and Other Benefit Plans Long Term Incentive Compensation Plan, Executive Officer Long Term Incentive Compensation Plan and 1997 Stock Plan.

Stock Ownership:

The Committee s intent in making stock awards to the executive officers has been to link the financial interests of the executives very closely to those of the stockholders. Beginning in 2004, the number of stock rights (restricted stock) granted to executive officers will be determined by dividing 100% of the amount of the cash bonus earned by each executive under the Annual Plan and may include up to 100% of the amount of the cash bonus earned under the Long Term Plan by the fair market value of the Company s common stock on the date of grant, in accordance with the terms of the respective plans. The restricted shares of common stock awarded to executive officers in February 2004 were determined utilizing this formula even though they were not made under either the Annual Plan or Long Term Plan. In February 2005, restricted shares were awarded to executive officers under the Annual Plan. Restrictions on such shares will generally lapse with respect to one-third of the number of shares awarded to the executive officers beginning on January 1st of the year following the grant. The Company can realize income tax deductions for restricted stock awards granted under the Annual Plan and the Long Term Plan to the executive officers because the compensation will qualify under Section 162(m) of the Code.

The 1997 Stock Plan (the 1997 Plan) provides a long term compensation opportunity for the officers and certain key employees of the Company and its subsidiaries. Stock options and awards of rights to purchase shares of the Company s common stock, generally in the form of restricted stock awards, may be granted under the 1997 Plan. Stock options granted under the 1997 Plan may be either incentive stock options, as defined in Section 422 of the Code, or non-statutory stock options. See Retirement and Other Benefit Plans 1997 Stock Plan. An aggregate of 437,505 shares of restricted common stock were awarded during 2004, of which 199,515 restricted shares were awarded to executive officers. No stock options have been granted since 1997.

The 1995 Restricted Stock Award Plan, As Amended (the 1995 Plan), also provides a long term compensation opportunity for the officers and certain key employees of the Company and its subsidiaries through awards of rights to purchase shares of the Company s common stock, generally in the form of restricted stock awards. See Retirement and Other Benefit Plans 1995 Restricted Stock Award Plan, As Amended. No awards were made under the 1995 Plan during 2004.

The Amended Non-Qualified Stock Option Plan of 1989 (the 1989 Plan) provides a long term compensation opportunity for the officers of the Company and certain key subsidiary officers. Stock options granted to the participants vested at the rate of 25% per year beginning on the first anniversary of each grant and generally have a term of ten years. Following adoption of the 1997 Stock Plan, no additional awards were granted under the 1989 Plan. Forfeited shares under the 1989 Plan pour over into the 1997 Plan and become available for future grants under the 1997 Plan.

The Company has entered into employment agreements with certain executive officers which include provisions for early release of restrictions on shares awarded to them under the 1995 Plan and 1997 Plan, and for acceleration of vesting of stock options granted to them under the 1989 Plan and 1997 Plan, upon the occurrence of certain events. See Employment Agreements.

Life, Supplemental Income Protection and Personal Liability Insurance:

The Company provides a Group Variable Universal Life Insurance Program (the GVUL) for executive officers and certain other key employees of the Company. The GVUL replaces basic group term life insurance coverage that would otherwise be paid by the Company for these employees. See Retirement and Other Benefit Plans Group Variable Universal Life Insurance Program.

The Company provides a Personal Liability Insurance Program for executive officers and certain other key employees of the Company. Participants under this program are provided with personal liability protection of $2 million to $15 million, depending upon the individual participant s position with the Company.

The Company provides an Individual Income Protection Policy for certain officers to supplement their group long term disability coverage that is limited due to plan levels. The Company provides this benefit, which will replace up to 75% of their basic monthly earnings, less group long term disability benefits to $5,000, due to an injury or sickness that prevents them from performing the duties of their occupation.

Employment Agreements Executive Officers

In 2003, the Committee recommended, and the Board of Directors approved, the fourth amendment to the 1994 Employment Agreement with James A. McIntyre who is Chairman of the Board. In 2000, the Committee recommended, and the Board of Directors approved, Employment Agreements with Louis J. Rampino who is President and Chief Executive Officer, Wayne R. Bailey who is Executive Vice President and Chief Operating Officer, and Raymond G. Meyers who is Senior Vice President and Chief Administrative Officer, and in 2003, Management Continuity Agreements with Patrick E. Lamb, who is Senior Vice President, Treasurer and Chief Financial Officer, Murray L. Zoota, who is President and Chief Executive Officer of Fremont Investment & Loan, and certain other key employees. See Employment Agreements.

Compensation of the Chief Executive Officer

James A. McIntyre was Chairman and Chief Executive Officer until May 2004, when the Board appointed Louis J. Rampino as President and Chief Executive Officer. With respect to the compensation of Mr. McIntyre and Mr. Rampino, the Committee reports:

1. *Base Salary* The base salary paid to Mr. McIntyre in 2004 was $800,000, which accounted for approximately 24% of his total annual compensation earned in 2004. The base salary paid to Mr. Rampino in 2004 was $760,385, which accounted for approximately 22% of his total annual compensation earned in 2004. (See Summary Compensation Table.) This amount is within the 50th 75th percentile of salaries paid to Chief Executive Officers in companies of comparable size in the financial services industries.

2. *Annual Bonus* Mr. McIntyre and Mr. Rampino were each paid a cash bonus of $1.2 million and awarded 51,701 shares of restricted common stock having a fair market value of $1.2 million on the date of grant that were earned in 2004 and paid in February 2005 under the Company s Executive Officer Annual Bonus Plan. In February 2004, Mr. McIntyre was awarded 62,340 shares of restricted common stock and Mr. Rampino was awarded 54,555 shares of restricted common stock under the 1997 Stock Plan. See Summary Compensation Table and Retirement and Other Benefit Plans Executive Officer Annual Bonus Plan and 1997 Stock Plan.

3. *Long Term Incentive Compensation Plan* Mr. McIntyre and Mr. Rampino were paid bonuses of $1.2 million and $1.1 million, respectively, as participants in the Company s Long Term Incentive Compensation Plan (LTICP). This three-year plan was adopted by the Board of Directors in 2002 and provided for a bonus opportunity dependent upon the Company achieving a cumulative pretax earnings target during the three-year period 2002 through 2004. The 2002 LTICP was similar to previous three-year plans authorized by the Board of Directors. See Summary Compensation Table and Retirement and Other Benefit Plans Long Term Incentive Compensation Plan.

4. *Other Compensation* In 2004, other compensation paid to Mr. McIntyre included Company contributions to the Investment Incentive Plan (the 401(k) Plan), Supplemental Executive Retirement Plan, Excess Benefit Plan and Employee Stock Ownership Plan, collectively, $593,994. In 2004 other annual compensation paid to Mr. McIntyre included: premiums of $46,211 paid by the Company on behalf of Mr. McIntyre under the Company s Group Variable Life Insurance Program, an automobile

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allowance, an executive medical allowance, occasional use of corporate aircraft for personal travel, contributions to fund long term disability and personal liability insurance, imputed income on supplemental life insurance, employer-paid non-qualified FICA taxes and club dues. The total of such personal benefits and perquisites paid to Mr. McIntyre in 2004 was $126,522. In 2004, other compensation paid to Mr. Rampino included Company contributions to the 401(k) Plan, Supplemental Executive Retirement Plan, Excess Benefit Plan and Employee Stock Ownership Plan, collectively, $625,022. In 2004, other annual compensation paid to Mr. Rampino included: premiums paid by the Company on behalf of Mr. Rampino under the Company s Group Variable Life Insurance Program, an automobile allowance, an executive medical allowance, contributions to fund long term disability and personal liability insurance, employer-paid non-qualified FICA taxes and country club dues. The Company provided Mr. Rampino with a car and driver at a cost to the Company in 2004 of $74,383. The total of such personal benefits and perquisites paid to Mr. Rampino in 2004 was $127,176. See Summary Compensation Table, Retirement and Other Benefit Plans Group Variable Universal Life Insurance Program and Employment Agreements.

The Company entered into employment agreements with Mr. McIntyre and with Mr. Rampino. These agreements ensure that the Company will continue to have the executives services available to it pursuant to the agreements terms. See Employment Agreements.

The Committee s policies with respect to executive compensation for other executive officers of the Company are substantially the same as those applied to Mr. McIntyre and Mr. Rampino on an appropriate scale based upon scope of responsibility and position. Each of the other four executive officers reported in the Summary Compensation Table received annual base salaries, auto allowances, restricted stock awards and other compensation (see Summary Compensation Table) on substantially the same basis as was applied to the Chief Executive Officer, at lesser rates.

It remains the primary goal of the Committee to relate compensation to corporate performance and to compensate executives of the Company based principally on achievement of pretax earnings targets in an effort to enhance stockholder value on a long term basis.

The tables that follow disclose details of compensation paid to the executives of the Company in 2004, as well as that paid in the previous two years. Descriptions of the Company s employment agreements with its officers and the retirement and benefit plans also follow.

There are no current or former Company employees serving on the Compensation Committee and there are no circumstances under which the Company would be required to report any compensation committee interlocks under the applicable proxy rules of the Securities and Exchange Commission.

Compensation Committee

Dickinson C. Ross, Chairman
Thomas W. Hayes
Robert F. Lewis
Russell K. Mayerfeld

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EXECUTIVE COMPENSATION

The following table and accompanying notes provide information with respect to total compensation earned or paid by the Company to the Chief Executive Officer and the five most highly compensated executive officers of the Company serving at the end of fiscal 2004 (the Named Executive Officers) during fiscal years 2004, 2003 and 2002.

Summary Compensation Table
(Dollars in Thousands)

					Long Term Compensation			
		Annual Compensation			Awards		Payouts	
Name and Principal Position	**Year**	**Salary ($)(1)**	**Bonus ($)(2)**	**Other Annual Compensation ($)(3)**	**Restricted Stock Awards ($)(4)**	**Securities Underlying Options (#)(5)**	**LTIP Payouts ($)(6)**	**All Other Compensation ($)(7)**
James A. McIntyre, Chairman of the	2004	$ 800.1	$ 1,200.0	$ 126.5	$ 2,400.0		$ 1,200.0	$ 594.0
Board	2003	800.1	1,200.0	101.9				441.8
	2002	800.1	1,200.0	152.7	2,605.8			233.3
Louis J. Rampino, President and	2004	760.5	1,200.0	269.1	2,250.2		1,100.0	625.0
Chief	2003	700.1	1,050.0	37.3				306.2
Executive Officer	2002	700.1	1,050.0	32.5	2,378.0			75.1
Wayne R. Bailey, Executive Vice	2004	660.5	1,050.0	134.1	1,950.3		950.0	525.0
President,	2003	600.1	900.0	32.7				244.3
and Chief Operating Officer	2002	600.1	900.0	28.4	2,150.2			