

FREMONT GENERAL CORP

Form 10-Q

October 17, 2007

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United States Securities and Exchange Commission

Washington, D.C. 20549

Form 10-Q

(Mark One)

Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended June 30, 2007

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Transition Period from _____ to _____

Commission File Number 001-08007

Fremont General Corporation

(Exact Name of Registrant as Specified in its Charter)

Nevada

(State or other jurisdiction of incorporation or organization)

95-2815260

(I.R.S. Employer Identification No.)

2425 Olympic Boulevard

Santa Monica, California 90404

(Address of principal executive offices) (Zip Code)

(310) 315-5500(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act.):

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock:

Class	Shares Outstanding September 28, 2007
Common Stock, \$1.00 par value	79,630,085

Fremont General Corporation and Subsidiaries

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Consolidated Balance Sheets

	June 30,	December 31,
(Thousands of dollars, except share data)	2007	2006
	(Unaudited)	
ASSETS		
Cash and cash equivalents	\$ 3,226,354	\$ 761,642
Investment securities classified as available-for-sale at fair value	548	633
Federal Home Loan Bank stock at cost	25,000	111,860
Loans held for investment net	2,272	6,257,306
Commercial real estate loans held for sale net	5,985,233	
Accrued interest receivable	40,381	53,497
Real estate owned net	65,834	299
Premises and equipment net	28,787	67,859
Deferred income taxes net	12,504	52,576
Other assets	334,860	268,932
Assets of discontinued operations held for sale	955,313	5,315,920
TOTAL ASSETS	\$ 10,677,086	\$ 12,890,524
LIABILITIES		
Deposits:		
Savings accounts	\$ 1,261,829	\$ 1,101,137
Money market deposit accounts	415,611	586,158
Certificates of deposit	8,003,705	8,302,493
	9,681,145	9,989,788
Senior Notes due 2009	166,039	165,895
Junior Subordinated Debentures	103,093	103,093
Other liabilities	169,643	210,586
Liabilities of discontinued operations held for sale	275,226	1,307,205
TOTAL LIABILITIES	10,395,146	11,776,567
STOCKHOLDERS EQUITY		
Preferred stock, par value \$.01 per share Authorized: 2,000,000 shares; none issued		
Common stock, par value \$1 per share Authorized: 150,000,000 shares; issued and outstanding: (2007 79,990,000 and 2006 79,074,000)	77,298	75,983

Additional paid-in capital	345,233	324,064
Retained earnings	(130,381)	728,766
Deferred compensation	(12,181)	(20,694)
Accumulated other comprehensive income	1,971	5,838
TOTAL STOCKHOLDERS EQUITY	281,940	1,113,957
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 10,677,086	\$ 12,890,524

The accompanying notes are an integral part of these statements.

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Consolidated Statements of Operations (Unaudited)

(Thousands of dollars, except per share data)	Three Months Ended		Six Months Ended June 30,	
	2007	2006	2007	2006
INTEREST INCOME:				
Interest and fee income on loans:				
Commercial	\$ 141,670	\$ 126,526	\$ 291,244	\$ 236,060
Other	153	(86)	192	1
	141,823	126,440	291,436	236,061
Interest income other	27,699	7,185	40,532	13,954
	169,522	133,625	331,968	250,015
INTEREST EXPENSE:				
Deposits	96,001	47,654	178,006	83,654
Senior Notes	3,350	3,464	6,700	7,010
Junior Subordinated Debentures	2,319	2,319	4,639	4,639
	101,670	53,437	189,345	95,303
Net interest income	67,852	80,188	142,623	154,712
Provision for loan losses	(39)	11,706	182	15,601
	67,891	68,482	142,441	139,111
Other non-interest income	2,223	4,083	1,456	6,304
	70,114	72,565	143,897	145,415
NON-INTEREST EXPENSE:				
Compensation and related	52,755	25,761	74,457	52,401
Occupancy	4,079	3,426	9,885	6,849
Other	32,824	10,701	56,691	29,525
	89,658	39,888	141,033	88,775
INCOME (LOSS) BEFORE INCOME TAXES	(19,544)	32,677	2,864	56,640
Income tax expense (benefit)	(7,399)	12,996	2,780	22,607
	(12,145)	19,681	84	34,033
Income (loss) from continuing operations	(253,038)	32,243	(855,878)	49,578

Income (loss) from discontinued operations, net of income taxes of \$(3,181) and \$21,265, and \$(82,876) and \$33,115 for the three and six months ended June 30, 2007 and 2006, respectively

Net income (loss)	\$ (265,183)	\$ 51,924	\$ (855,794)	83,611
EARNINGS PER SHARE:				
Basic:				
Income (loss) from continuing operations	\$ (0.16)	\$ 0.26	\$ 0.00	\$ 0.46
Income (loss) from discontinued operations, net of income taxes	(3.29)	0.44	(11.26)	0.67
Net income (loss)	\$ (3.45)	\$ 0.70	\$ (11.26)	\$ 1.13
Diluted:				
Income (loss) from continuing operations	\$ (0.16)	\$ 0.26	\$ 0.00	\$ 0.45
Income (loss) from discontinued operations, net of income taxes	(3.29)	0.42	(11.10)	0.65
Net income (loss)	\$ (3.45)	\$ 0.68	\$ (11.10)	\$ 1.10
Cash Dividends Declared per Common Share	\$	\$ 0.11	\$	\$ 0.22

The accompanying notes are an integral part of these statements.

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Fremont General Corporation and Subsidiaries
 Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

Thousands, except per share amounts)	Common Stock		Additional Paid-in Capital	Retained Earnings	Deferred Compensation	Accumulated	
	Number of Outstanding Shares	Amount				Other Comprehensive Income	
Balance at December 31, 2005	77,497	\$ 77,497	\$ 341,800	\$ 966,112	\$ (43,357)	\$ 14,754	\$ 1,358
Net income				83,611			8
Dividends declared \$0.22 per share				(17,084)			(1)
Amortification of deferred compensation							
Restricted stock		(1,485)	(19,417)		20,902		
Repurchase of common stock	(18)	(35)	35				
Shares issued, acquired or allocated for employee benefit plans	389		(862)		(20,780)		(2)
Amortization of restricted stock			7,386				
Shares allocated to ESOP			(1,370)		24,315		2
Change in cost of common stock							
Trust					(2,376)		(
Change in unrealized gain on investments and residual interests,							
Deferred taxes							4,921
Tax benefits relating to share-based							