FREMONT GENERAL CORP
Form DEF 14A
April 13, 2006

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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 þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
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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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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
MAY 18, 2006

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 18, 2006 at 2:30 p.m. (Pacific Time) 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. Approval of 2006 Performance Incentive Plan (the 2006 Plan);

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

4. 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 6, 2006 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 13, 2006

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FREMONT GENERAL CORPORATION

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS
May 18, 2006

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 18, 2006 at 2:30 p.m. (Pacific Time) 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 approval of the 2006 Performance Incentive Plan, (iii) the ratification of the appointment of Ernst & Young LLP as independent auditor and (iv) 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 18, 2006.

VOTING SECURITIES AND VOTE REQUIRED

The Board of Directors has fixed the close of business on April 6, 2006 (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 77,885,542 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 ownership is

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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. The 2006 Performance Incentive Plan will be approved if a majority of the votes cast are voted *for* its approval. In addition, the total vote cast on the 2006 Performance Incentive Plan must represent over 50% in interest of shares entitled to vote on the proposal. To ratify the appointment of Ernst & Young LLP as the Company s independent accountants, a majority of the votes cast on the proposal must vote in favor of 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. If, in the Company s discretion, at any time it determines that an adjournment of the Annual Meeting is in the Company s best interests, shares represented at the meeting by proxy may be used to adjourn the meeting.

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 (hereinafter called the Board or the 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.

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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	73	Chairman of the Board. Chief Executive Officer of the Company from 1976 to 2004. Director and officer of the Company and certain subsidiary companies during the past 42 years.	1972
Wayne R. Bailey	51	Executive Vice President and Chief Operating Officer of the Company since 2004. Executive Vice President, Treasurer and Chief Financial Officer of the Company from 1995 to 2004; Senior Vice President and CFO of the Company from 1994 to 1995; Vice President and CFO from 1990 to 1994. Director and officer of certain subsidiary companies during the past 19 years.	1996
Thomas W. Hayes	60	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. Non-director member of the governance committee of Amerco, Inc. Director and chairman of the audit committee of Fremont Investment & Loan, a subsidiary of the Company.	2001
Robert F. Lewis	69	Attorney, founding partner and Managing Partner, Lewis Brisbois Bisgaard & Smith LLP since 1979. Director and member of the audit committee of Fremont Investment & Loan, a subsidiary of the Company.	2002
Russell K. Mayerfeld	52	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. Director of Reassure America Life Insurance Company (an indirect subsidiary of Swiss Re) since June 2005. Director and member of audit committee and corporate governance committee of HealthSpring, Inc., a	2004

		Medicare health maintenance organization since February 2006. Director and member of the audit committee of Fremont Investment & Loan, a subsidiary of the Company.	
Louis J. Rampino	53	President and Chief Executive Officer of the Company since 2004. President and Chief Operating Officer of the Company from 1995 to 2004; director and officer of the Company and certain subsidiary companies during the past 23 years; employee for 28 years.	1994
Dickinson C. Ross	82	Retired; formerly Chairman of Johnson & Higgins of California, an international insurance brokerage firm.	1987

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The members of the Board of Directors, the Committees of the Board on which they currently serve, and the number of meetings held in 2005 by each of the Committees are identified below.

Name of Director	Audit Committee	Compensation Committee	Governance and Nominating Committee	Executive Committee
Independent Non-Employee Directors:				
Thomas W. Hayes	Chair	X	X	
Robert F. Lewis	X	X	Chair	X
Russell K. Mayerfeld	X	X	X	
Dickinson C. Ross		Chair		
Employee Directors:				
James A. McIntyre				Chair
Louis J. Rampino				X
Wayne R. Bailey				
Number of Meetings in 2005	13	5	5	

The Board of Directors held six meetings during 2005. A combined total of 29 Board and committee meetings were held during 2005, with perfect attendance at 27 of such meetings. Two directors missed one meeting each. The average attendance by directors at scheduled meetings of the Board and committees of which they are members on a composite basis was over 98%. 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 2005 Annual Meeting.

The Board of Directors of the Company recommends a vote FOR the election of the seven director 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 (the NYSE) 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 NYSE 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, or otherwise be an affiliated person of the Company. 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 Board has determined that members of the Audit Committee satisfy the criteria required under applicable SEC and NYSE standards for independence and financial literacy.

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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. 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. 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 2005.

Compensation of Directors

On May 19, 2005, the Company s Board of Directors approved, at the recommendation of the Compensation Committee, changes to its non-employee director compensation program. The new compensation program for directors who are not employees of the Company or any of its subsidiaries became effective on May 19, 2005 and includes the following components:

Annual Retainer Non-employee directors are paid an annual retainer of $30,000 for service on the Board of Directors, plus an additional annual retainer of $20,000 for service on the Audit Committee and/or Compensation Committee, for a combined total annual retainer not to exceed $50,000. In 2005, this amount was prorated from May 19, 2005. No additional compensation is paid for serving on other committees of the Board.

From January 1 through May 18, 2005, directors who were not employees of the Company or any of its subsidiaries were paid an annual retainer of $24,000 for service on the Board of Directors, plus an additional annual retainer of $6,000 for service on the Audit Committee. No additional compensation was paid for serving on other Board committees.

Meeting Fees Non-employee directors are paid a $1,500 per meeting fee for participation in meetings of the Board of Directors. The directors are reimbursed for actual expenses incurred to attend meetings of the Board of Directors and its committees. Directors are not paid meeting fees for attendance at Board committee meetings.

Restricted Stock Non-employee directors will receive awards of restricted shares of the Company s common stock. Two times the total Board and Committee annual retainer in effect on the date of grant (presently, $50,000) will be the basis for determining an automatic annual award of restricted stock. The number of shares will be determined by dividing the product (presently, $100,000) by the fair market value of the Company s common stock on the date of grant. The fair market value is the closing trading price of the Company s common stock on the trading date that immediately precedes the date of the award. Each award will have a two year term. Restrictions on the shares will be released at a rate of 50% per year beginning on January 1st of the year following the award, provided the director is still serving on the Board. This formula will also be the basis for restricted stock awards to new non-employee directors. Grants pursuant to this formula will be made to each seated non-employee director only after restrictions on share balances from pre-May 2005 awards have been fully released. Restricted stock awards to non-employee directors will be made under the Company s stockholder approved 1997 Stock Plan, as amended (the 1997 Plan) or a successor plan. Upon approval by the Company s stockholders of the proposed 2006 Performance Incentive Plan (the 2006 Plan), the restricted stock awards will be made under the 2006 Plan. The first grant pursuant to this restricted stock award formula was to Director Hayes, who was awarded 4,852 restricted shares ($100,000 divided by $20.61 per share). Restrictions on the first half of the shares awarded to Mr. Hayes were released on January 1, 2006. Directors Hayes, Lewis and Ross will each be eligible to receive a restricted stock award pursuant to this restricted stock formula on May 18, 2006.

Other Compensation Non-employee directors participate in the Company s Continuing Compensation Plan for Retired Directors. This plan was previously adopted by the Board of Directors 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, for three years following an eligible director s retirement from the Board, the Company will continue paying to the retired director monthly fees equal to the amount of the monthly retainer fee in effect at the time of the director s retirement from the Board. The Company may make a lump sum payment of such fees to the retired director at its discretion. 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. David W. Morrisroe s widow received payment of fees under this retirement plan until September 2005.

There are no outstanding stock options held by non-employee directors. 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 were generally 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 was still serving on the Board of Directors and the Company had 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 2005, Mr. Hayes was awarded 4,852 shares of restricted common stock under the 1997 Plan, as reported above. The restrictions on these shares will generally be released at the rate of 50% per year beginning on the first designated release date of January 1, 2006 and on the one year anniversary thereafter, provided that he is still a director of the Company and the Company has not exercised its reacquisition option with respect to such shares. In 2002, Mr. Lewis was awarded 24,000 shares of restricted common stock under the 1997 Plan. Restrictions on these shares were released at the rate of 25% per year beginning on January 1, 2003, the first designated release date, and on each of the three anniversaries thereafter. 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,

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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, 14,426 shares remain subject to restrictions, as of the date of this Proxy Statement. Restricted stock awarded under the 1995 Plan and the 1997 Plan includes dividend rights and the non-employee directors have been paid non-preferential quarterly cash dividends on their restricted shares.

In addition, directors Hayes, Lewis and Mayerfeld 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. During 2005, directors Hayes, Lewis and Mayerfeld were each paid director fees of $24,000 by FIL. Directors of FIL are elected annually. Directors Hayes, Lewis and Mayerfeld were first elected to FIL s board in 2001, 2003 and 2004, respectively. The directors are reimbursed for actual expenses incurred to attend FIL s board of director and audit committee meetings. 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 in 2005.

The Compensation Committee periodically reviews the Company s director compensation practices and compares them against the practices of other companies in the United States. The Compensation Committee and the Board of Directors believe that the Company s total compensation paid to non-employee directors is competitive with the compensation offered by other companies and is fair and appropriate in consideration of the responsibilities and obligations of the Company s non-employee directors. The following table sets forth the total compensation paid to each non-employee director during 2005:

Name	Annual Retainer Fees	Meeting Attendance Fees	Non-preferential Dividends Paid on Restricted Stock	Total Cash Compensation Paid by the Company in 2005	Restricted Stock Awards in 2005(1)	Total Compensation Paid by FIL in 2005
Thomas W. Hayes	$ 44,032	$ 9,000	$ 776	$ 53,808	$ 100,000	$ 24,000
Robert F. Lewis	44,032	9,000	1,380	54,412		24,000
Russell K. Mayerfeld	44,032	9,000	4,140	57,172		24,000
Dickinson C. Ross	42,242	9,000	1,196	52,438		

(1) RESTRICTED STOCK AWARDS represent the fair market value on the date of grant (as determined by the terms of the plan under which the shares were awarded) of restricted shares of common stock that were awarded under the 1997 Plan.

Stockholder Communications with Directors

Stockholders may communicate with Fremont s Board of Directors or Board committee members by writing to the following address: Board of Directors, c/o Corporate Secretary, Fremont General Corporation, 2425 Olympic Boulevard, 3rd Floor, Santa Monica, California 90404. Please specify to whom your correspondence should be directed. The Corporate Secretary will promptly forward all correspondence to the Board of Directors or committee member, as indicated in the correspondence, except for junk mail, mass mailings, job inquiries, surveys, business solicitations or advertisements, or patently offensive or otherwise inappropriate material. Fremont s Corporate Secretary may forward certain correspondence, such as product-related inquiries, elsewhere within the Company for review and possible response.

Corporate Governance

Fremont General has strong corporate governance practices, including 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 website at *www.fremontgeneral.com.* The Company s Policy on Treatment of Employee and Contractor Complaints Regarding Accounting and Auditing Matters and financial concern hotline provide employees with a mechanism by which concerns over financial, accounting or audit matters can be reported in a confidential and anonymous manner and adequately addressed. The Board reviews the Company s Governance Guidelines and the committee charters at least annually. In addition, the Board,

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the Audit Committee, the Compensation Committee and the Governance and Nominating Committee conduct annual self-assessment evaluations.

Executive Officers

The following table sets forth the names, ages, employment dates and positions of the executive officers of the Company and the date each became an officer of the Company (or its predecessor companies). All of the 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	73	1963	1963
Louis J. Rampino	President and Chief Executive Officer	53	1977	1989
Wayne R. Bailey	Executive Vice President and Chief Operating Officer	51	1986	1989
Patrick E. Lamb	Senior Vice President, Treasurer and Chief Financial Officer	46	1986	1998
Raymond G. Meyers	Senior Vice President and Chief Administrative Officer	59	1980	1989
Murray L. Zoota	President and Chief Executive Officer of Fremont Investment & Loan(1)	61	1990	1990
Alan W. Faigin	Secretary, General Counsel and Chief Legal Officer	49	1980	1994

(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, 2005, the Audit Committee met thirteen 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 NYSE. The Board of Directors has determined that all members of the Audit Committee satisfy the criteria required under applicable SEC 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 SEC.

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, 2005 (the Audited Financial Statements). In addition the Audit Committee discussed with Ernst & Young LLP (Ernst & Young) 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 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 the matters required by Independence Standards Board Statement No. 1, including Ernst & Young s independence from the Company. When considering Ernst & Young 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. Pre-approval by the Audit Committee is required for non-audit services performed by Ernst & Young. 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 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, 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 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, 2005 be included in the Company s Annual Report on Form 10-K. The Audit Committee appointed Ernst & Young as the Company s independent auditor for the fiscal year ended December 31, 2006.

Audit Committee

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

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 NYSE. 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. Section 162(m) of the Code and the Omnibus Budget Reconciliation Act of 1993 and regulations adopted thereunder, place limits on deductibility of compensation in excess of $1 million paid in any one year to the Company s chief executive officer and to each of the other four highest-paid executive officers unless this compensation qualifies as performance-based. 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. 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.

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Components of Executive Officer 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 $400,000; 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. The Executive Officer Annual Bonus Plan (the Annual Plan) was approved by the Company s stockholders in 2004 and 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 March 2005, the Committee approved, and the Board ratified, pretax earnings targets for 2005 bonuses payable in 2006, upon achievement of the targets, to executive officers of the Company under the Annual Plan for the performance period of January 1, 2005 through December 31, 2005 (the 2005 Annual Plan). The 2005 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 2005 Annual Plan based upon achievement of 80% to 120% of the pre-established pretax earnings targets for 2005. 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 2005 pretax earnings target had been achieved and authorized payouts to the executive officers under the 2005 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 2005 Annual Plan by the fair market value of Company common stock on the date of grant, as determined under the 2005 Annual Plan. The awards of restricted stock were made in March 2006 under the Company s 1997 Plan and include dividend rights. Restrictions on the shares awarded will be released in one-third increments beginning on January 1, 2007. The Company can realize favorable tax deductions on the compensation paid under the 2005 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 2006 under which the Chief Executive Officer s and the other four highest-paid executive officers 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

The Executive Officer Long Term Incentive Compensation Plan (the Long Term Incentive Plan) provides for a bonus opportunity dependent upon the Company achieving a predetermined cumulative pretax earnings target during a three-year period as a function of an executives base salary for the period. The Company s stockholders approved the Long Term Incentive Plan in 2004. The Company can realize income tax deductions for the