

FREMONT GENERAL CORP

Form 10-Q

November 09, 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 September 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 October 31, 2007
Common Stock, \$1.00 par value	79,630,085

Fremont General Corporation and Subsidiaries

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Table of ContentsItem 1. *Financial Statements***Fremont General Corporation and Subsidiaries
Consolidated Balance Sheets**

(Thousands of dollars, except share data)	September 30, 2007	December 31, 2006
	(Unaudited)	
ASSETS		
Cash and cash equivalents	\$ 2,658,068	\$ 761,642
Investment securities classified as available-for-sale at fair value	1,175,858	633
Federal Home Loan Bank stock at cost	25,925	111,860
Loans held for investment net	2,116	6,257,306
Commercial real estate participation	3,624,260	
Accrued interest receivable	32,231	53,497
Real estate owned net		299
Premises and equipment net	24,647	67,859
Deferred income taxes net		52,576
Other assets	341,137	268,932
Assets of discontinued operations held for sale	906,825	5,315,920
TOTAL ASSETS	\$ 8,791,067	\$ 12,890,524
LIABILITIES		
Deposits:		
Savings accounts	\$ 954,686	\$ 1,101,137
Money market deposit accounts	419,815	586,158
Certificates of deposit	6,586,025	8,302,493
	7,960,526	9,989,788
Senior Notes due 2009	166,111	165,895
Junior Subordinated Debentures	103,093	103,093
Other liabilities	141,929	210,586
Liabilities of discontinued operations held for sale	114,450	1,307,205
TOTAL LIABILITIES	8,486,109	11,776,567
Commitments and contingencies		
STOCKHOLDERS EQUITY		
Preferred stock, par value \$.01 per share Authorized: 2,000,000 shares; none issued	78,117	75,983

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Common stock, par value \$1 per share Authorized: 150,000,000 shares; issued and outstanding: (2007 79,630,000 and 2006 79,074,000)

Additional paid-in capital	344,535	324,064
Retained earnings	(112,023)	728,766
Deferred compensation	(8,005)	(20,694)
Accumulated other comprehensive income	2,334	5,838
TOTAL STOCKHOLDERS EQUITY	304,958	1,113,957
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 8,791,067	\$ 12,890,524

The accompanying notes are an integral part of these statements.

2007 QUARTERLY REPORT 1

Table of Contents**Fremont General Corporation and Subsidiaries
Consolidated Statements of Operations (Unaudited)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Thousands of dollars, except per share data)	2007	2006	2007	2006
INTEREST INCOME:				
Interest and fee income on loans:				
Commercial	\$ 1,444	\$ 144,305	\$ 292,688	\$ 380,365
Other	129		321	1
	1,573	144,305	293,009	380,366
Interest income other	128,601	8,883	169,133	22,837
	130,174	153,188	462,142	403,203
INTEREST EXPENSE:				
Deposits	99,442	56,747	277,448	140,401
Senior Notes	3,351	3,388	10,051	10,398
Junior Subordinated Debentures	2,319	2,320	6,958	6,959
	105,112	62,455	294,457	157,758
Net interest income	25,062	90,733	167,685	245,445
Provision for loan losses	151	12,687	333	28,288
	24,911	78,046	167,352	217,157
NON-INTEREST INCOME:				
Gain on sale of commercial real estate loans	16,289		16,289	
Other non-interest income	49,600	4,825	51,056	11,129
	65,889	4,825	67,345	11,129
NON-INTEREST EXPENSE:				
Compensation and related	14,356	25,134	88,813	77,535
Occupancy	3,060	3,279	12,945	10,128
Other	19,450	19,591	76,141	49,116
	36,866	48,004	177,899	136,779
INCOME BEFORE INCOME TAXES	53,934	34,867	56,798	91,507
Income tax expense	21,738	12,190	24,518	34,797

Income from continuing operations	32,196	22,677	32,280	56,710
Income (loss) from discontinued operations, net of income taxes of \$(9,480) and \$4,986, and \$(92,356) and \$38,101 for the three and nine months ended September 30, 2007 and 2006, respectively	(13,895)	6,848	(869,773)	56,426
Net income (loss)	\$ 18,301	\$ 29,525	\$ (837,493)	\$ 113,136
EARNINGS PER SHARE:				
Basic:				
Income from continuing operations	\$ 0.42	\$ 0.31	\$ 0.42	\$ 0.77
Income (loss) from discontinued operations, net of income taxes	(0.18)	0.09	(11.39)	0.76
Net income (loss)	\$ 0.24	\$ 0.40	\$ (10.97)	\$ 1.53
Diluted:				
Income from continuing operations	\$ 0.41	\$ 0.30	\$ 0.42	\$ 0.75
Income (loss) from discontinued operations, net of income taxes	(0.18)	0.09	(11.25)	0.74
Net income (loss)	\$ 0.23	\$ 0.39	\$ (10.83)	\$ 1.49
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$	\$ 0.11	\$	\$ 0.33

The accompanying notes are an integral part of these statements.

2 FREMONT GENERAL CORPORATION AND SUBSIDIARIES

Table of Contents**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		Total
	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	\$ 1,356,800	
Net income				113,136			113,136	
Cash dividends declared \$0.33 per share				(25,621)			(25,621)	
Classification of deferred compensation restricted stock		(1,485)	(19,417)		20,902			
Retirement of common stock	(41)							
Shares issued, acquired or allocated for employee benefit plans	406		(1,673)		(23,036)		(24,709)	
Amortization of restricted stock			11,074				11,074	
Shares allocated to ESOP			(1,370)		24,315		22,945	
Change in cost of common stock held in trust					(1,718)		(1,718)	
Net change in unrealized gain on investments and residual interests, net of deferred taxes						2,405	2,405	
Access tax benefits relating to share-based payments			2,050				2,050	
ESOP fair value adjustment			(755)		755			
Balance at September 30, 2006	77,862	\$ 76,012	\$ 331,709	\$ 1,053,627	\$ (22,139)	\$ 17,159	\$ 1,456,366	
Balance at December 31, 2006	79,074	\$ 75,983	\$ 324,064	\$ 728,766	\$ (20,694)	\$ 5,838	\$ 1,113,953	
Net loss				(837,493)			(837,493)	
Cash dividends adjustment				93			93	