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TRANSCRIPT

The following is a transcript of the Energy Transfer Partners, L.P. (ETP) and Energy Transfer Equity, L.P. (ETE) joint fourth quarter 2015 earnings conference call held at 8:00 a.m. Central time on February 25, 2016. While every effort has been made to provide an accurate transcription, there may be typographical mistakes, inaudible statements, errors, omissions or inaccuracies in the transcript. ETE believes that none of these inaccuracies is material.

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CORPORATE PARTICIPANTS

Tom Long *Energy Transfer Partners, L.P. CFO & Energy Transfer Equity, L.P. Group CFO*

Mackie McCrea *Energy Transfer Equity, L.P. Group Chief Operating Officer and Chief Commercial Officer*

Kelcy Warren *Energy Transfer Partners, L.P. - Chairman and CEO*

CONFERENCE CALL PARTICIPANTS

Brandon Blossman *Tudor, Pickering, Holt & Co. Securities - Analyst*

Jeremy Tonet *JPMorgan - Analyst*

Michael Blum *Wells Fargo Securities, LLC - Analyst*

Darren Horowitz *Raymond James & Associates, Inc. - Analyst*

Ted Durbin *Goldman Sachs - Analyst*

Kristina Kazarian *Deutsche Bank - Analyst*

Robert Balsamo *UBS - Analyst*

Helen Ryoo *Barclays Capital - Analyst*

John Edwards *Credit Suisse - Analyst*

Selman Akyol *Stifel Nicolaus - Analyst*

Corey Goldman *Jefferies LLC - Analyst*

Eric McCarthy *Citadel Securities LLC - Analyst*

John Kiani *Teilinger Capital Ltd. - Analyst*

Zev Nijensohn *The Boston Company Asset Management - Analyst*

Norman Hale *Stifel Nicolaus - Analyst*

PRESENTATION

Operator

Greetings and welcome to the Energy Transfer Partners fourth-quarter 2015 earnings conference call. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the conference over to Mr. Tom Long, Chief Financial Officer for Energy Transfer Partners. Thank you, Mr. Long. You may now begin.

Tom Long - *Energy Transfer Partners, L.P.   CFO & Energy Transfer Equity, L.P.   Group CFO*

Thank you, operator. Good morning, everyone, and welcome to Energy Transfer Partners and Energy Transfer Equity s fourth-quarter 2015 earnings call. Thank you for joining us today.

I will begin with a discussion of Energy Transfer Partners fourth-quarter results, followed by a growth project update, a financing and liquidity update, and an ETP distribution discussion. Then I will provide a brief update on the merger with Williams and lastly, an overview of Energy Transfer Equity s fourth-quarter earnings and other highlights. I m also joined today by Kelcy Warren; Mackie McCrea; Matt Ramsey, who is ETP s new President and Chief Operating Officer; John McReynolds; and other members of our senior management team who are here to help answer your questions after our prepared remarks.

As a reminder, we will be making forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. These are based on our beliefs as well as certain assumptions and information currently available to us. I also refer to adjusted EBITDA and distributable cash flow, or DCF, both of which are non-GAAP financial measures. You ll find a reconciliation of our non-GAAP measures on our website.

Now for ETP s fourth-quarter results. Please note as a result of the Regency merger, which was a combination of entities under common control, ETP s financial results have been retrospectively adjusted to reflect the consolidation of Regency.

Adjusted EBITDA on a consolidated basis totaled $1.36 billion, which is a decrease of $168 million compared to the fourth quarter of 2014. We had continued strong growth in the liquid segment, but saw midstream EBITDA decrease. And in the fourth quarter of 2014, we had unusually strong retail performance.

DCF attributable to the partners of ETP, as adjusted, totaled $959 million, an increase of $165 million from a year ago. We had a current tax benefit from bonus depreciation, partially offset by higher maintenance capital.

Now let s go over the individual segment results. In the midstream segment, adjusted EBITDA was $264 million, down $96 million compared to the same period a year ago. This decrease was primarily driven by lower commodity prices. These were partially offset by higher throughput volumes, an increase in fee-based revenues, and lower G&A. There were also several plant outages, the majority of which have been resolved, and continued volume shut-ins in the Northeast.

Gathered gas volumes totaled over 10 million MMBtus per day, which is a 5% increase versus the same period last year, primarily due to higher volumes in the Eagle Ford, Permian, and Cotton Valley regions as well as the King Ranch acquisition. NGL production also increased in the fourth quarter by 67,000 barrels per day to 444,000 barrels per day compared to the fourth quarter of 2014. And Equity NGLs decreased in the fourth quarter by 1,000 barrels per day to 29,000 barrels per day.

In the liquids, transportation, and services segment, adjusted EBITDA increased by 40% to $222 million compared to the same period last year. The increase in adjusted EBITDA was due to higher throughput at the Lone Star fractionators and West Texas NGL pipeline as well as increases in storage margin due to the ramp up of Mariner South and related storage fees. We also increased margin in several other areas.

NGL and crude transportation volumes on our wholly owned and joint venture pipelines increased 20% to 474,000 barrels. This was due to increased volumes out of the Eagle Ford and Permian as well as the commissioning of a crude oil transportation pipeline at the end of 2014. There was also an increase in volumes on our NGL pipelines from our plants in Southeast Texas.

Average daily fractionated volumes increased 22% to 250,000 barrels compared to the fourth quarter of last year due to the startup of our second fractionator at Mont Belvieu, which was commissioned in late 2013.

In our intrastate segment, adjusted EBITDA increased slightly year over year to $122 million. This was due to the increased transportation fees and newly initiated long-term demand contracts for Mexico export volumes on our Houston pipeline system. Also, while transported volumes decreased to 7.9 million MMBtus per day from lower production in the Barnett Shale, we expect this trend to reverse due to volume growth in 2016 related to increased demand from Mexico and the Gulf Coast LNG facilities.

In our interstate segment, adjusted EBITDA was $283 million, down $24 million from a year ago, partially due to the expiration of a transportation rate schedule on the Transwestern pipeline and the repurposing of Trunkline s 30-inch line for the Bakken pipeline project. There were, however, increased deliveries on the Transwestern pipeline due to sustained cooling demand and increased customer demand.

Moving to Sunoco Logistics, who had another great quarter, with EBITDA of $317 million. This was $80 million higher than SXL s fourth quarter of 2014. Moving to retail, as a reminder, due to ETP s sale of its 100% membership interest of Sunoco GP LLC and all of the IDRs of Sunoco to ETE, ETP no longer consolidate Sunoco for accounting purposes. ETP s remaining proportionate investment in SUN is accounted for under the equity method. This change impacts the comparability of the retail segment results versus prior periods.

For the fourth quarter of 2015, adjusted EBITDA for the retail segment is reported as ETP s 100% ownership of the assets in Sunoco, Inc., and includes adjusted EBITDA related to unconsolidated affiliates, which is comprised of our 68.4% interest in Sunoco LLC, the wholesale distribution business, and our investment in Sunoco LP based on ETP s percentage ownership of outstanding LP unit. For the fourth quarter, the retail segment contributed $119 million of adjusted EBITDA.

Going forward, as a result of our dropdown of our remaining interest in Sunoco LLC to SUN LP, which is expected to close in March, we will not report retail results as its own segment. Instead, our investment in SUN LP will be reported in the all other segment and broken out in our disclosures related to supplemental information on unconsolidated affiliates.

For the current all other segment, adjusted EBITDA decreased to $33 million, down $17 million versus a year ago due to weaker refining crack spreads from our investment in PES. As it relates to the PES IPO, this has been postponed and will restart when market conditions improve. We still view this interest as an attractive near-term monetization option for ETP.

Now let s move to our growth projects, where I ll provide a brief update. Starting with the Bakken pipeline project, our joint venture with SXL and P66, we are obtaining the necessary permits and regulatory authorizations for this project. We expect to receive the remaining state agency authorizations in the next few months.

This should provide us with sufficient time to construct the project by the fourth quarter this year. Our project management group has done an outstanding job keeping Bakken on schedule.

Next on Bayou Bridge, another joint venture with SXL and P66, construction is nearly complete on the Nederland to Lake Charles segment of the pipeline, which is expected to be mechanically complete in March. Bayou Bridge successfully concluded its expansion open season in November, adding incremental committed shipper volumes to the project.

Based on these commitments, the segment from Lake Charles to St. James is moving forward and is currently in the permitting and right-of-way acquisition phase. We continue to anticipate the deliveries to St. James will commence in the second half of 2017.

On the Rover gas pipeline, we received the draft EIS from FERC last Friday, with final EIS scheduled for the end of July and the FERC certificate in the beginning of the fourth quarter of this year. We anticipate being in service to the Midwest hub near Defiance, Ohio, by June of 2017. And to markets in Michigan and Union Gas Dawn hub by November of 2017.

Lone Star s Frac III was placed into service in mid-December on time and under budget. Lone Star s three 100,000-barrel-per-day fractionators have averaged 339,000 barrels per day to date. Frac IV remains on schedule to be in service by December of 2016.

The Lone Star Express NGL pipeline remains on schedule, with Phase I to start up in the second quarter and final completion expected to be in the third quarter of this year. It is also expected to come in under budget.

The Trans-Pecos and Comanche Trail pipelines, which will expand our intrastate pipeline capacity to carry gas from the Permian Basin to Mexico, remain on track to be in service in the first quarter of 2017. We have completed the project financing and expect to commence construction on both projects in the next several weeks.

On the Edinburgh and Oasis pipelines in South Texas, volumes to Mexico continue to grow as our demand fee contract expands from 530 million cubic feet per day to 930 million cubic feet per day, effective March 1. Both the 24-inch Volunteer pipeline and the 200-million-cubic-foot-per-day East Texas cryo plant, also known as the Alamo plant, came online in January of 2016.

On the 2.1 Bcf per day Utica Ohio River expansion, as a reminder, Phase I was placed in service in mid-October last year and Phases II and III came online at the end of December. The project is now fully in service, delivering volumes into both REX and TETCO and we expect volumes to continue to grow throughout the year.

And on the Revolution project, the pipeline and plant as well as the fractionation facility are expected to be in service in the third quarter of 2017. As a reminder, our project provides shippers with unique end-to-end solution, with significantly improved netback economics compared to their other alternatives.

Our 200 million cubic feet per day Orla cryo processing plant in the Delaware Basin is expected to come online in April and be full within 30 days. We have additional 200 million cubic foot per day cryo processing plant, the Panther plant, which is in the Permian Basin that is expected to come online in the fourth quarter of this year.

Now moving on to CapEx, ETP invested over $1.2 billion during the fourth quarter in organic growth projects, with the majority allocated to our liquids transportation and services, midstream, and interstate segments. For full year 2015, ETP invested approximately $5.6 billion in growth CapEx projects.

For 2016, as we mentioned in our distribution press release, we have identified approximately $750 million of CapEx that could be deferred or cut from our original forecast. As a result, we now expect to spend approximately $4.2 billion on organic growth capital for 2016. This is net of an additional $325 million that is expected to be financed at the joint venture level with nonrecourse debt.

A majority of the CapEx reduction is related to the midstream segment, where we have placed new processing plants and other projects on hold. In addition, we have deferred some projects at Lone Star and delayed and reduced cost in the interstate segment. We continue to foresee significant EBITDA growth in 2017 from the completion of our project backlog and a majority of these projects are backed by long-term fee-based contracts.

During the fourth quarter, we spent $142 million on maintenance capital expenditures, and for full year 2015, we spent $394 million. As you can see, fourth-quarter maintenance capital was higher than normal. Accordingly, for 2016, we expect to spend approximately $345 million on maintenance capital expenditures.

Before moving on to discussing our distribution, let s take a quick look at our liquidity position as well as our funding strategy for 2016. We ended the quarter with a debt to EBITDA ratio of 4.5 times for our credit facility. As of December 31, 2015, there was $1.36 billion in outstanding borrowing under the $3.75 billion facility. And we issued approximately $400 million of equity during the fourth quarter of 2015 under our ATM and DRIP programs.

Taking a look at our current funding strategy for 2016, with the expected closing of the previously announced dropdown of the remaining interest in Sunoco LLC and the legacy Sunoco retail business to Sunoco LP in March, the outstanding balance under ETP s revolver will be close to zero. As a result of this transaction, along with the $750 million reduction in 2016 growth capital funding and other potential asset sales, and the project financings, we do not expect to need to access the fixed income market in 2016 or to need to issue ETP common units in 2016.

While we do not need the equity markets to fund our growth, we expect to opportunistically utilize the ATM from time to time in order to manage our leverage. In addition, ETE recently agreed to extend the $95 million annual management fee paid to ETP through 2016. Collectively, these actions are fully consistent with our goal of maintaining ETP s investment-grade rating, which we consider a top priority.

We have also kicked off initial discussions regarding project financing of the Bakken pipeline. This measure would materially reduce the direct spending required to finance this project and would substantially reduce ETP s and SXL s 2016 capital funding requirements.

Now I would like to touch on our recent distribution announcement. In January, we announced a distribution of $1.055 per common unit for the fourth quarter or $4.22 per common unit on an annualized basis. This was flat compared to our third-quarter distribution and was paid on February 16 to unitholders of record as of the close of business on February 8.

As it relates to potential distribution increases going forward, this is a time when coverage and liquidity are valued more by the equity markets and rating agencies than distribution growth. We will continue to evaluate our distribution on a quarterly basis and will be prudent as it relates to balancing coverage and liquidity with distribution growth.

Now for a brief update on our merger with Williams. As a result of the FTC s second request for additional information, we entered into a timing agreement with the FTC on December 14, under which we have agreed not to consummate the proposed acquisition prior to 60 days after substantial compliance with the second request. ETE and Williams continue to work cooperatively with the staff of the FTC as it conducts its review of the proposed

acquisition.

In addition, on February 1, we received comments to our S-4 Proxy that we previously filed with the SEC. We are in the process of working through those comments, some of which relate to the information that will be included in the ETE and Williams 10-Ks and expect to file an amendment to the S-4 shortly after filing our respective 10-Ks.

The pending merger also remains subject to the approval of Williams stockholders and other customary closing conditions. As a result, we now expect closing to occur sometime in the second quarter.

As it relates to the integration planning, we recently announced that Don Chappel has accepted the role of CEO of WPZ post-closing of the merger. In addition, our integration committee has been diligently working through the integration planning. We intend to actively implement a shared services model and continue to expect substantial synergies as a result of the merger.

As a reminder, we have a commitment for a $6.05 billion bridge loan in place with a syndicate of banks to fund the cash portion of the merger. This is effectively a two-year loan. We have had extensive discussions with the rating agencies and we are evaluating several alternative financing plans internally. We will provide more details on this at the appropriate time.

With that update, we will not be taking questions on the call today related to the merger. We appreciate your cooperation in this regard.

Moving on now to ETE, I will begin with ETE s fourth-quarter results, followed by a liquidity financing update and a Lake Charles LNG update. We will then take your questions.

Turning to the financial results, first of all, we are pleased with the fourth-quarter results of SXL, Sunoco, and ETP. As a reminder, effective July 1, 2015, ETE acquired 100% of the membership interest of Sunoco GP LLC, the general partner of Sunoco LP, and all of the IDRs of Sunoco LP from ETP. So Sunoco still appears in the consolidated financial statements for ETE.

ETE s cash flows came from the general partner and IDRs and LP interests at ETP, 90% of the economics of the GP, and the IDRs from SXL through the Class H units, through the ownership of the Lake Charles LNG, and 100% of the GP and IDRs of Sunoco LP. Our distributable cash flow as adjusted for the fourth quarter totaled $343 million, an increase of $100 million compared to the same period last year.

DCF as adjusted per unit for the fourth quarter was $0.32 per unit or an increase of 45% compared to the fourth quarter of 2014. Distributions from ETP accounted for 68% of ETE s total cash flows in the latest quarter. SXL contributed 17%, Lake Charles LNG approximately 11%, and Sunoco LP contributed 4%.

ETE announced last month a quarterly distribution of $0.285 per unit. This equates to $1.14 per unit on an annualized basis. Our distributable cash flow coverage was 1.15 times for the fourth quarter. It was paid on February 19 to unitholders of record as of close of business of February 8.

Let s look now at liquidity and financing. ETE continues to have a healthy liquidity position. We ended the quarter with a debt to EBITDA ratio of 2.96 times for our credit facility. As of December 31, 2015, there were $860 million in outstanding borrowings under the facility. Therefore, at the end of the fourth quarter of 2015, the overall ETE stand-alone debt was $6.33 billion with a blended interest rate of 4.8% and with no pending maturities until almost 2019.

Now turning to Lake Charles, which to remind everyone is owned 60% by ETE and 40% by ETP. Progress continued to be made during the fourth quarter. We received our final FERC authorization in December to site, construct, and operate the facility, and we received our final approval from the US Army Corps of Engineers last Friday.

On February 15, Shell completed its acquisition of BG. And last week, we held our kickoff meeting for the project financing, and preliminary responses from lenders have been strong. We remain on target to reach affirmative FID on the project in 2016, with the construction expected to start immediately thereafter and first LNG exports anticipated in early 2021.

Before opening the call up to your questions, I would just like to say that our business continues to demonstrate resiliency in commodity markets that have been challenging as well as the benefits of our diversified business model. Our project backlog is built on long-term, third-party demand fees that give us visibility into future EBITDA growth, particularly in 2017. These projects are tracking on schedule and on budget.

ETP s financing needs for 2016 are expected to be met without the need to access the equity or debt markets, and our counterparties are strong, high-quality companies, or have security for performance that is well structured to mitigate risk. ETE s priority is to support its core operating subsidiaries and it will take the steps necessary to ensure they maintain their financial health and investment-grade ratings.

We remain very focused on project execution, cost management, and improving our balance sheet strength by lowering our leverage and increasing coverage. The underlying fundamentals of our business are strong and we believe we will be in a great position for growth when the current market conditions improve.

Before we begin taking your questions, I just want to reiterate that we will not be taking questions on the call today related to the pending merger with Williams or related matters. Thank you once again for your cooperation.

With that, operator, that concludes our prepared remarks. Please open the line up for questions.

QUESTION AND ANSWER

Operator

(Operator Instructions) Brandon Blossman, Tudor, Pickering, Holt.

Brandon Blossman - ***Tudor, Pickering, Holt & Co. Securities - Analyst***

Good morning. Let s start on Lake Charles. Has there been any conversations with Shell post-close? And what does that timeline look like or what s the process to get to FID over the course of 2016?

Todd Carpenter ***Energy Transfer Partners, L.P. - Counsel***

There s been no direct conversations with Shell, but BG met with Shell last week and those conversations continue. This week, the feedback from our counterparts at BG said the meetings were very favorable and we ve been told to proceed as planned.

Brandon Blossman - ***Tudor, Pickering, Holt & Co. Securities - Analyst***

Great. That sounds very positive. Okay, let s as far as we can track through 2016 and into 2017, what conceptually or philosophically how do you address the kind of intermittent use of the ATM program for equity versus kind of distribution thoughts as you consider kind of rating agency action and your investment-grade credit rating?

Tom Long

You bet. As you know, the ATM has always been really a good tool. We have obviously gone lighter on it as we ve moved into these lower prices. But clearly we want to leave it as an option out there. And with trying to manage once again our leverage ratio and our as far as our credit metrics, all of our credit metrics.

So the reason why we want to leave that is in place is not because of the funding needs that we have, but once again just because we want to just make sure that we are staying down the middle of the fairway.

Brandon Blossman - ***Tudor, Pickering, Holt & Co. Securities - Analyst***

Okay. Fair enough. And then just a detailed accounting question. On the bonus depreciation add to DCF in the fourth quarter, what period was that for?

Tom Long

The bonus depreciation was for 2015.

Brandon Blossman - ***Tudor, Pickering, Holt & Co. Securities - Analyst***

Full year 2015?

Tom Long

Yes. But there was some carryback into 2014 and 2013.

Brandon Blossman - ***Tudor, Pickering, Holt & Co. Securities - Analyst***

Thank you very much. That s all for me for right now.

Operator

Jeremy Tonet, JPMorgan.

Jeremy Tonet - *JPMorgan - Analyst*

Just wanted to turn to the midstream segment, if we could. And was wondering if you could provide any more thoughts as far as how things are trending into 2016. And we saw a decline in the quarter. Do you think things have baselined and growth CapEx coming into service can kind of stem that? Or, how do you think about that these days? And appreciate there s a lot of uncertainty with producer budgets at this point.

Mackie McCrea

Thanks, Jeremy. This is Mackie. As we look at the challenging times we re in and you look at our volumes, they are actually up if you compare the fourth quarter of 2014 to 2015. Certainly some of that is related to King Ranch, but even without King Ranch, as a whole some down, some up as a whole, our volumes are up across the board. In fact if you take out North Texas, the Barnett Shale, our volumes are up significantly, not only on midstream, but also on our intrastate.

In addition to that, as we kind of take a forward look into 2016, once again in very challenging times, the thing we concentrate on the most is volumes. As Kelcy has always said, we can t control basis. We can t control commodity prices, but we can be aggressive and more competitive on volumes. And we actually are seeing volume growth in 2016 compared to the fourth quarter of 2015, ranging anywhere from 4% to as high as 17% depending on the basin.

So the things that we can control, we are pleased with, especially in the environment we are in. And we can t worry about the things we don t control.

Jeremy Tonet - *JPMorgan - Analyst*

Got you. Fair enough. And as far as the midstream reductions there, would you be able to share more color on which plants were being deferred? And was Revolution part of that CapEx reduction?

Mackie McCrea

I m not sure on CapEx reduction, but we ve we still are on track to have Revolution in by the third quarter of 2017. It has been pushed back a little bit to be in line with the downstream pipelines.

The other plant that Tom talked about earlier was Orla. It s coming on soon. We are very pleased with that plant. It s very rare you bring a plant on and it s full within 30 days. Panther will be very similar at the end of this year. It will ramp up fairly quickly. Any other plants that we have contemplated, we have put on hold until we have accretive contracts to support them.

Jeremy Tonet - ***JPMorgan - Analyst***

Sounds great. Thanks for that. And just as far as the JV potential as far as managing the balance sheet and as far as project financing at Dakota Access, do you need agreement from all of the JV partners there to do that? And are you looking for any other JVs on growth projects that you have to further strengthen your balance sheet?

Tom Long

We are first off, first part I think the last part of your question there yes, we do need the consent of the JV partners, which, as you know, that s P66 is our 25% partner on that one. What we re looking at there is, we re not looking at necessarily pushing the leverage up really high on that. We are really just kind of looking at kind of a 50-50 financing on that project. I m sorry. The second part of your question was around the JV?

Jeremy Tonet - ***JPMorgan - Analyst***

Well, for as far as this type of a financing, bringing in JV partners for any other projects is that a possibility at this time?

Tom Long

Yes, I would say that that is a possibility. We re clearly focused on the project financing side of it is what we are focused on right now. But yes, that is a possibility.

Jeremy Tonet - *JPMorgan - Analyst*

Got you. Thank you. And then just one last one from me. In the liquids segment, it looks like there was an inventory liquidation. Could you just provide a little bit more color on what was happening there?

Tom Long

Are you talking about kind of the goodwill and the impairment? Is that what you are referring to?

Jeremy Tonet - *JPMorgan - Analyst*

In other margin? In other margin, I think there was a little bit of an increase this quarter, so I was just wondering about that.

Tom Long

Listen, I ll have to get back to you on that other marketing. I apologize. I thought you were asking a question. Let me get back to you on that one.

Jeremy Tonet - *JPMorgan - Analyst*

Great, appreciate it. Thank you.

Operator

Michael Blum, Wells Fargo.

Michael Blum - *Wells Fargo Securities, LLC - Analyst*

Can you go back to, I guess Mackie, some of your comments you were just making about your outlook for volume? I know at your investor day, you said that you weren t really seeing volume declines and you actually expected some increases.

So you just threw out a range: 4% to 17% growth. Can you just kind of walk us through by basin kind of what you re seeing there and what s driving volume growth?

Mackie McCrea

Sure, you bet. One thing we are very pleased with is a lot of our dollars, a lot of our capital has been focused in two of the better basins in the country, that being Eagle Ford and probably the best basin in the world with Permian Delaware. So we certainly are see significant growth there. As I mentioned a minute ago, we ll have 200,000 a day flowing through our Orla facility by May or so. So that s an increase alone just at that one facility.

Also, we ve seen significant growth up in the Northeast on our Ohio River system. It came on last year, started ramping up toward the end of the year, and its exceeding our expectations in the first quarter. And we project that that will continue throughout 2016. Once again, even in these very difficult environments.

As I mentioned earlier, Barnett Shale Barnett Shale, it is on a slow decline. The reserves are there. Our pipes there are waiting whenever the prices make sense, but every other area for the most part Rebel is growing the volumes there. South Texas, we ve had some downtime on some plants that, as Tom alluded to, we have those up and running. So we ll see volumes at least hold, if not gain a little bit in the Eagle Ford.

So all in all, as I mentioned earlier, other than a few exceptions, we are pretty excited or pleased with where we see volume growth this year compared to our competitors and in this very difficult environment.

Michael Blum - *Wells Fargo Securities, LLC - Analyst*

Okay, great. And then as I m sure you know, Chesapeake made some comments on their call about some recontracting on Tiger, it looks like. But it seems like there is some sort of quid pro quo and you ll be seeing a benefit somewhere in your gathering system. I was wondering if you could just provide a little more details and maybe if you could quantify for us how that trade occurred.

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Mackie McCrea

You bet. You know, it s funny. When all this started happening, Kelcy and I talked. There is always some lemonade with the lemons, and that s what we try to do. We ve built our relationship with creating or working with producers on their needs. And clearly, there s a lot of pain on the E&P side on all the sides.

And we have in that situation been able to help out Chesapeake in the short term by shifting demand charges, where some of their business is more commodity now with us in the short term, and by extending contracts that were ending over the next three to five years for many years out. And then also adding significant business in the future.

So we are very pleased with Chesapeake. We enjoy have enjoyed working with them. We do believe they will make it through these tough times and we look forward to being kind of their partner of choice is what we hope as they continue to drill out some of the better rock that they have control of or have leases on throughout the country.

Michael Blum - *Wells Fargo Securities, LLC - Analyst*

Okay. So we should see that benefit show up in later years in the midstream segment? Just trying to figure out where the offset is.

Mackie McCrea

Yes. You ll see more of it I can t get into a lot of details here, but certainly you ll see more of it more in the midstream and even in some different basins.

Michael Blum - *Wells Fargo Securities, LLC - Analyst*

Okay. And then just on Rover, can you just remind us kind of what percent of that pipe is currently contracted? And also how much capital has been spent to date?

Mackie McCrea

I ll let Tom speak to the capital on the math. It s like 97%, I believe. 97%, 98%. We have 150,000 left or 3.25%, whatever the math is there. I think it s about 97% or 98% on demand charge. And on the CapEx that s been spent?

Tom Long

On the CapEx, Michael, I ll get back with you. I believe we are probably at about $2 billion or so. But I tell you what I ll get back with you on that, see what s the absolute latest on that.

Michael Blum - ***Wells Fargo Securities, LLC - Analyst***

Okay, great. And my last question is really I don t know if you can or will comment, but obviously there s been a lot of speculation with the departure of Jamie. And I just wanted to know if there s anything you could share in terms of the circumstances with that whole situation? Thanks.

Kelcy Warren

Michael, this is Kelcy. I think to be respectful to Jamie, I ll keep this to a minimum. And we ve talked to many, many that are on this call. Jamie is a very talented guy, but the decision was made by me that we needed to make a move and we did. And Tom Long is now our CFO.

Michael Blum - ***Wells Fargo Securities, LLC - Analyst***

Great. Thank you.

Operator

Darren Horowitz, Raymond James.

Darren Horowitz - *Raymond James & Associates, Inc. - Analyst*

Morning, guys. Tom, if I could, I just have one question. I want to go back to your discussion around the balance sheet. And obviously what the market is telling us is they want more transparency, not just into the timing, but the magnitude of enhancing liquidity and reducing leverage.

You ve talked about your options, like monetizing part of the Bakken pipe, maybe deferring more CapEx. Obviously, that $2.2 billion in proceeds from the sale of Sunoco interest helps. But there are other options and I m wondering how you guys rank those in terms of priority or in terms of what could have the biggest benefit to the balance sheet.

If you think about SUN, it s obviously countercyclical. Historically, you ve said not a core business. And it helps both ETE and ETP with regard to the GP and the LP interest. And I m thinking about if you could just provide some color how you view those monetization options, what s changed in the marketplace, and if you could provide any transparency on the timing and your forecast for where you want leverage to be exiting this year, especially if this fundamental or cost of capital challenge continues into 2017.

Tom Long

Okay. No, you bet. Let me kind of start with the last part. Our target is still to maintain a 4.5 times leverage ratio, so obviously at year end. And this is per the credit facility. That s how we continue to manage that as we look out. And we still think that s a very good target, and of course, as you know, we are right in the middle of a lot of pre-funding.

So we knew that that was going to put some pressure on the leverage, but it was also going to put some pressure on the coverage. You know, the real comforting thing to us is these projects are all coming on late this year, early next year. So that s what we ve been working toward in getting kind of the last portions of this funded.

Back to the prioritization, I guess I would say we do have those options. It s really kind of difficult to prioritize them in the sense that the market is so dynamic. You know, as you look at various options, different days, different things move around on you. And it s we re going to probably stay consistent with what we ve always done in the past, and that is to as we get and make a certain decision as to what s the best for the Company, from once again all of the various metrics coverage, credit metrics, etc. we will make those decisions at the time and we will announce them at the time.

But if we try to get out and preannounce on these, you can appreciate what that really does. So just kind of staying consistent with the way we ve always funded our projects in the past, where we announce them at the time that we get whatever negotiated, is what we are going to continue to go a plan that we are going to stick with.

Kelcy Warren

Darren, I would add that as you and I have spoken recently, it is ETE s job to support the partnerships that operate underneath it. And so there will be continued support to the extent IDR holidays for growth are appropriate that they will be given. And other means that ETE can support ETP s growth and get ETP into late 2017, where ETP has pretty remarkable growth at that time. So just note, just rest assured that ETE will do what it needs to do.

Darren Horowitz - *Raymond James & Associates, Inc. - Analyst*

Thank you.

Operator

Ted Durbin, Goldman Sachs.

Ted Durbin - *Goldman Sachs - Analyst*

Thanks. Maybe just taking that one more level. Is a distribution cut on the table at all for either ETP or ETE, relative to the leverage metrics you are looking at? It s a choice that some other partnerships have made. Maybe you can put that in the context of if and when the Williams deal goes through, how you think about that. And then also balancing between ETE and ETP and where you might make that decision.

Kelcy Warren

I ll take the first part. There is no contemplated distribution cuts at ETP whatsoever. We ve not looked at any scenario where that would be appropriate or necessary. It s just not we just don t see that. You know, like we said before, we re not going to talk about the Williams transaction.

But you know, ETE is a very healthy. Our distribution cuts are not required at ETE. And we take our obligation to our unitholders very, very seriously. We have a duty to maintain our distributions. But everybody knows obviously that that s an option. To the extent that we need access to distributions to maintain our financial health at ETE, would we reach into that bucket? It would be the last one that we would reach to, but it s certainly possible.

Ted Durbin - ***Goldman Sachs - Analyst***

Okay, I appreciate that, Kelcy. Can we just talk about the Bakken pipeline? And it sounds like you are still confident in hitting that late 2016 in-service date. It feels like it s a stretch from my seat, at least given that you haven t started construction as far as I can tell. What s left that needs to get done on the permitting side to hit that in-service time?

Mackie McCrea

Ted, this is Mackie again. You know, I ve got to say, like we do for most of our teams, we have one of the best teams in the country building that pipeline, with Joey Mahmoud on the engineering side and Lee on the commercial side.

And that project has gone exceptionally well in a very, very difficult environment throughout the country. We still are holding to the schedule. We have every permit other than a permit in Iowa material permits and we are optimistic and hope to have that permit in March. And as soon as we have that permit, we will begin construction. But right now, we do expect to be flowing oil by January 1st of 2017 and it s very realistic that that s going to happen at this point.

Ted Durbin - ***Goldman Sachs - Analyst***

That s great. I appreciate it, Mackie. And then last one for me, just on the Lone Star Express. I think you had spoken about that as being kind of a 6X multiple on invested capital. Are you still comfortable with that, given the

environment?

Mackie McCrea

Yes, we are.

Ted Durbin - ***Goldman Sachs - Analyst***

I ll leave it at that. Thank you.

Operator

Kristina Kazarian, Deutsche Bank.

Kristina Kazarian - ***Deutsche Bank - Analyst***

Not to beat a dead horse here, but just a clarification question on ETP s IG rating. So the Kelcy, the thought process is that if ETP had the risk of being downgraded from another sibling entity or a parent entity and readthrough, that the parent would actually backstop the rating and help it out to protect that balance sheet. Is that fair?

Kelcy Warren

That is fair.

Kristina Kazarian - ***Deutsche Bank - Analyst***

Okay, perfect. And then I know you talked about this in an answer to a different question, but over the whole complex, maybe can you touch about counterparty risk and the potential or magnitude for contract resetting, kind of like the Tiger line, which we heard about yesterday?

Tom Long

I ll take the first part of that. You know, with the slide that we used in Analyst Day, where we showed that 86% was basically BB or higher on our credit ratings, that has really remained very consistent in where we are from that standpoint.

So we continue to stay obviously very focused on that and we like the positions that we have with our counterparty credit exposures. But I wouldn t we ve really not seen much movement in that and we know there s been a lot of changes with the agencies. But it s not really impacted as far as our top credit exposures at this point.

Kristina Kazarian - ***Deutsche Bank - Analyst***

And on the second part, maybe about potential contract resetting, like throughout all of 2016 across your fleet?

Tom Long

I tell you what, Mackie go ahead. I m sorry second part, one more time.

Kristina Kazarian - ***Deutsche Bank - Analyst***

The second part is how do I think about contract resetting potentials across the whole complex for calendar year 2016?

Mackie McCrea

Midstream, intrastate, interstate, the whole complex?

Tom Long

Yes.

Mackie McCrea

Well, on our midstream, most of the contracts in our midstream are long term now. Any plant that we ve built recently is under at least 10 or 15 year contracts. On all of our NGL business, there are long-term contracts. Most of our frac contracts are at least 10 years and probably a majority of them are 15 years.

On the interstates, it varies depending on the interstate. The older interstates, the interesting phenomena there is that as the contracts roll off, we actually are increasing rates. Certainly not charging tariff on some of our pipelines, but certainly at higher rates than where they have been. You know, for example, we ve taken out our Trunkline pipeline, and on the existing space that we still have on Trunkline has provided for higher rates because of demand in the Northeast this winter.

So all in all, we don t have a whole lot of exposure. And as I mentioned earlier in our discussions with Chesapeake, we are having similar discussions with other companies that have similar type pain. And in those, we are looking at extending contracts that are ending in the next year or two out for at least 10 or 12 more years. So we are pretty pleased with where we sit across the complex of all of our segments on the timing of our contracts.

And our goal, through this tough period, is extending everything out because we provide that opportunity by helping them some of these companies with the difficulties they are going through today.

Kristina Kazarian - ***Deutsche Bank - Analyst***

Perfect. Thanks, guys. Appreciate the clarification.

Operator

Robert Balsamo, UBS.

Robert Balsamo - ***UBS - Analyst***

Most of my questions have been answered. Just a quick one. On the unconsolidated affiliates, it looks like PES was down for the quarter due to crack spreads, which make sense. But the distributions seem to be strong in the segment, unconsolidated affiliates.

And I just wonder if you could talk a little bit about that, if the distribution is kind of being maintained. Looks like they are still growing. Kind of how to think about cash flows and distributions coming from that segment PES and then unconsolidated affiliates overall.

Tom Long

Yes, you bet. You are right. We did have some pressure because of the crack spreads there in that refinery. From a distribution standpoint, we ve always been very much aligned with our partner there both of us wanting to maximize distributions. And you know, kind of like I said in my prepared remarks, we are going to obviously maintain it and be ready to go with an IPO at any time.

But I think direct answer to your question, we will always try to maximize distributions going forward. But that is going to be kind of up and down with where the market with where crack spreads are.

Robert Balsamo - ***UBS - Analyst***

Okay, thank you. That s all.

Operator

Helen Ryoo, Barclays.

Helen Ryoo - ***Barclays Capital - Analyst***

Good morning. Just couple of quick items. When you say when you plan to do the DAPL project financing, do you need FERC approval to launch it? And also, if you were to get, let s say, 50% project financed, would that reduce your 2016 CapEx by, let s say, about $1 billion?

Tom Long

Yes, to the last part of your question. You are right on that. That s 2016 is right at $1 billion is what it would reduce it by. As far as the FERC approval, no, we do not need FERC approval to get project financing on that pipe.

Helen Ryoo - Barclays Capital - Analyst

Okay. So this is something you could launch anytime, basically?

Tom Long

Yes, yes. We ve actually already started the dialogue on it.

Helen Ryoo - ***Barclays Capital - Analyst***

Okay, got it. And then how much of your DAPL spending was already in your 2015 CapEx? I see $2 billion of liquid CapEx and, are you able to quantify how much of DAPL has already been spent?

Tom Long

As far as DAPL, I think we are right at about $1.7 billion, $1.8 billion on how much has been spent to date.

Helen Ryoo - ***Barclays Capital - Analyst***

Is that net to ETP?

Tom Long

No. That would be the 8/8ths. The full amount.

Helen Ryoo - ***Barclays Capital - Analyst***

Got it, got it, great. And then apologies if I missed this, but what drove the increase in midstream OpEx in the quarter? It was up quite steeply and .

Tom Long

Yes, what you saw during the fourth quarter, of course, was several plants starting up where you started seeing some additional expenses. You probably saw nearly additional $25 million, $26 million worth that occurred during the quarter.

I would say, Helen, though, it is fairly normal to kind of see in the fourth quarter. A lot of times as you get into year end, you will see the expenses come up some. I guess what I d like to say is as you go into 2016 and really look at the, let s say, the early quarters, I would say that that number probably popped up by about a $25 million number that we would expect not to necessarily see as we roll into 2016.

Helen Ryoo - ***Barclays Capital - Analyst***

Got it. And then your comments on PES, you mentioned that the IPO is delayed, but that this is a near-term monetization option. So when you think about a couple of, I guess assets you could sell, and I assume that includes Lake Charles, do you see this as something more higher in the rank in terms of probability? Or maybe you could more broadly talk about certain assets that you could sell to help the balance sheet.

Tom Long

Helen, you can probably, like I say, appreciate you know talking too much specifics before you actually have a you have a plan or have a deal in place is always difficult. In other words, usually you would announce those at the time that you would actually go out.

But I think when you really look, clearly this is one you could look at our 33% ownership in that. But I think we still feel like that until you really get it to kind of to an IPO, that s probably where you are going to get the highest value. So it s not one that s let s just call it ripe for doing that.

And LNG was the other one you brought up. Clearly that s one that that is an option out there, but you heard the update today. We are very excited at where that is and moving forward. But likewise don t necessarily see that as being something you would do today.

And then, you know, I think there was other even a comment made earlier about options around if any of the JVs you wanted, to bring in any other partners, etc. You could obviously do that. But I will just reiterate once more that I think from a funding standpoint on the projects with the $4.2 billion, what we ve accomplished on that front, we feel like we ve got a lot of leeway here as we look out through 2016.

Helen Ryoo - ***Barclays Capital - Analyst***

Okay. And then my last one is just on SUN, I guess, deal closing date seems like it s got pushed out a month. What s causing that? And any other any risk of further delays there?

Tom Long

No. And listen Helen, really that one is really pretty much on schedule with where we it kind of anticipated. Remember that we file our 10-Ks we ll probably get them filed by at least Monday. And you really could not finish up the carve-out financials to close this transaction until after those 10-Ks were filed.

So just keep in mind, that s probably a when we say March, I would like to tell you that s probably a very early March, meaning possibly as early as next week, even by the end of the week or so. But we are working through those financials and that is really the component.

Nothing is going to change as far as the effective date of the transaction. It s still going to be January 1st of 2016. So whether we do it the first week or the second week of March, but the only absolutely the only holdup was getting the 10-Ks filed and then getting the carve-out financials.

Helen Ryoo - ***Barclays Capital - Analyst***

Understood. Thank you very much.

Operator

John Edwards, Credit Suisse.

John Edwards - ***Credit Suisse - Analyst***

Just a couple follow-ups on the counterparty risk side. Just out of the you indicated I think it was 14% 86% is BB or higher. So out of the remaining 14%, if those BB or lower went to bankruptcy, I am just curious how many of those rates were perhaps above market. Or how you would quantify, say, the revenue hit if those contracts had to be renegotiated, like in a bankruptcy situation, you know, some sort of revenue quantification we could look at.

Mackie McCrea

This is Mackie. And I won t go through specific risks or producers in areas, but one thing that s very helpful is where a lot of this risk is, it s on parts of our gathering systems where it s really hard to compete. Certainly, in a bankruptcy, there may be some renegotiation, but we don t see in a lot of these situations a lot of risk because our ability to either work it out with them or because there may not be a lot of options out there. And the price that we are moving it for is the market price.

So not talking about any specific producer. We can reduce that exposure significantly just because of how they are situated in our system.

Tom Long

And John, what I d like to go ahead and just add to that from the absolute kind of percentage, if you will when you get down to that group, I mean, the exposure and I know we talked some about the Chesapeake but as far as the counterparties and where those percentages lie, they are really small. It s spread out over a lot of counterparties and it s the number is well less than 1% on any one customer.

John Edwards - ***Credit Suisse - Analyst***

Okay, that s helpful. And then just following up, Tom, on the balance sheet, you indicated you are targeting 4.5 times exiting this year. I m just curious kind of your longer-term leverage target, what you re thinking about.

Tom Long

Yes. And once again, at ETP, we do feel like that the 4.5 times is a good place to be. Remember that the credit facility calculation, the way we do that, does allow for the inclusion of the material project adjustments, if you will. I know we ve talked about before.

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And so that s how we get to the number. In other words, these are the calculations that we will be sending out to the banks at this 4.5 times. But the real beauty of that: it does show these projects as they come on, where the economics are. And it does give you a line of sight of where both GAAP and NPA are headed to be basically the same number at the 4.5.

So once again, as we go through 2016 and complete a lot of this funding, you know, you are going to see that that 4.5, both on a GAAP basis as well as a with the material project adjustments, that gap narrows significantly.

John Edwards - ***Credit Suisse - Analyst***

Okay, that s helpful. And then I guess I know we all have to jump to the next call, but just maybe you could give a little bit of color on the impairment losses. I mean, I think there was the $339 million item there.

Tom Long

Yes, you bet. It really is all around the commodity prices, if you will. So let s start with the Transwestern piece first. The number was $99 million. It really was about kind of looking out at where the commodity prices were on that. So that was the goodwill impairment.

The rest was really all in the refinery services. In other words, in the liquids segment. And same thing: it related to actually the spread that you see in those contracts we had between the off-gas projects we have. And we actually took one of those plants completely out of service. So that was it. It was the refinery services and then the Transwestern. So that s what makes up the $339 million.

John Edwards - ***Credit Suisse - Analyst***

Okay, thanks. I ll follow-up with the rest of my questions. But thank you for that.

Operator

Selman Akyol, Stifel.

Selman Akyol - ***Stifel Nicolaus - Analyst***

Just a couple quick ones. Mackie, going back to your earlier comments, you mentioned there was some downtime on plants in the midstream segment. I was wondering is there any way to quantify the impact on that?

Mackie McCrea

I wouldn t it would take a while to go through kind of every specific because we have issues on several plants. But for example, in South Texas, we ve had issues on a plant that moves about 130,000 a day. That s been down off and on and we re hopefully to the end of that, where that runs reliably.

And then some of our plants out in West Texas, we continue to kind of work through issues, but we are working through those. That has a lot to do with why we are seeing our volumes increase on our projections in 2016 as we kind of line all those issues out.

Selman Akyol - ***Stifel Nicolaus - Analyst***

I got you. And then just one more. I guess at the time of when you guys acquired Regency, you had forecasted some pretty good synergies. And I m wondering: are you seeing any of those? Are they yet to come? Is it just being chewed up in the commodity environment? Any commentary around that?

Mackie McCrea

No, we are seeing them across the country. If you look at West Texas, we ve talked about Orla. You know, Energy Transfer is building Orla, putting in place, tying it to the Regency system. The Delaware basin, as I mentioned earlier, if you talked with some of the larger producers in the country, they believe that s some of the best rock in the world.

So as we kind of expand out our business, the Regency assets and the broad expansion of all those gathering systems and all their plants, gives us the ability to provide services while we are building new plants. So the synergies out in the Permian Basin in West Texas have been extensive.

Up in the Northeast, of course with Ohio River, we are seeing a lot of volume growth there. Once Rover is up and transporting gas, that will be one of the main feeders to that pipeline or a very significant supply source. And then we also have some synergy in East Texas that we are benefiting from. So yes, it s been very areas of the country we ve had significant synergies that have helped out a lot.

Selman Akyol - *Stifel Nicolaus - Analyst*

All right. Thank you.

Operator

Chris Sighinolfi, Jefferies.

Corey Goldman - *Jefferies LLC - Analyst*

This is Corey filling in for Chris. Just real quick, Tom, just to follow-up on the last question. I think again, you had mentioned some plant outages and some Northeast volume shut-ins. Can you quantify the EBITDA impact there that you saw in 4Q?

Tom Long

Yes, that impact was probably $6 million to $7 million.

Corey Goldman - *Jefferies LLC - Analyst*

Got it, thanks. And then last question. I think you had mentioned Revolution was pushed one quarter into 3Q. But effectively, what was the remaining cause for the $500 million in decrease. You mentioned CapEx. Which projects specifically are being deferred or shifted there?

Tom Long

Let me give you more of a high level versus maybe talking about the specific projects. Just to give you a split on that $750 million, I would say about 25% of that was actual cuts. The other 75% of it is really more deferral, and you ll see that spend kind of over that kind of occur in over 2017, maybe a little bit more of it in the first half of 2017.

You know, I think and Mackie touched on this. But I think you have, of course, the gathering system down in South Texas. But you also had a West Texas plant likewise that and that s like I say, the rest of it is really more around just some of the deferral on the projects that are already there.

Corey Goldman - *Jefferies LLC - Analyst*

But no other timing has changed besides Revolution?

Mackie McCrea

No other timing has changed. Well, Rover at one time gosh, I think at the analyst meeting we were optimistic that we would be in by April or May. Where we stand with FERC, we thought we would have the ability to kind of push the July 29th date up a little bit. It s clear that that s very unlikely, so we are planning accordingly and so we have moved that date out to June. We are confident that we will be flowing most of the pipeline in June and then complete it by November.

Corey Goldman - *Jefferies LLC - Analyst*

Okay, great. And same thing on intrastate. What was the reason for the $135 million shift in CapEx there?

Tom Long

I m sorry, you said on the intrastate.

Corey Goldman - *Jefferies LLC - Analyst*

Yes, I think you reiterated Trans-Pecos is still in 1Q. So just wondering now what the mix shift was there.

Tom Long

Yes. And that was on the that was on the Mexico projects. And it really does relate to the project financing. Because what you have is the last time we gave the number, we really didn t have that project financing in place. So we since have locked that up at very good rates and very long term. But that s what really drove that one down from the intrastate.

Corey Goldman - *Jefferies LLC - Analyst*

Got it. Thanks guys.

Operator

Eric McCarthy, Citadel.

Eric McCarthy - ***Citadel Securities LLC - Analyst***

I was hoping you could elaborate a little bit further on the Chesapeake contracts. Chesapeake disclosed $50 million in savings in exchange for some GMP contracts. What basin does that apply to and what s the does it make up for the $50 million in full? And what s the ramp down around that?

Mackie McCrea

This is Mackie again. As I mentioned earlier, we can t really get into the details of that. I think if you look at their comments more closely, they also consummated some similar type amendments with other companies. So that $50 million isn t attributed to just us, but it s throughout several of the basins that they have significant positions in. Some of which we don t have a lot of business with them today and some of which we do have a lot of business with them. So but getting into any more details than that with our confidentiality agreement with them, we can t do that.

Eric McCarthy - ***Citadel Securities LLC - Analyst***

Okay. That s about it. Thank you.

Operator

John Kiani, Teilinger Capital.

John Kiani - ***Teilinger Capital Ltd. - Analyst***

Good morning, Tom. Just a few questions, please. First, the $230 million tax benefit that contributed to DCF this quarter, trying to understand the coverage looked like it was in the 0.8 times range without that. Should we expect tax benefits like this going forward? How should we think about coverage with and without that, please?

payments
2,050 2,050
Other adjustments
(347) 347
Balance at June 30, 2006
77,868 $ 75,977 $ 329,275 $ 1,032,639 $ (20,949) $ 19,675 $ 1,436,617
Balance at December 31, 2006 79,074 $ 75,983 $ 324,064 $ 728,766 $ (20,694) $ 5,838 $ 1,113,957
Net loss
(855,794) (855,794)
Cash dividends adjustment
34 34
Adoption of FIN No. 48
(3,387) (3,387)
Retirement of common stock
(389) (100) 100
Restricted stock vested
130 14,656 14,786
Shares issued, acquired or allocated for employee benefit plans
20 (2,920) (4,983) (7,903)
Amortization of restricted stock
2,195 2,195
Shares allocated to ESOP
1,285 1,285 8,249 3,334 12,868
Change in cost of common stock held in trust
9,051 9,051
Net change in unrealized gain on investments and residual interests, net of deferred taxes
(3,867) (3,867)
GSOP fair value adjustment
(1,111) 1,111
Balance at June 30, 2007
79,990 $ 77,298 $ 345,233 $ (130,381) $ (12,181) $ 1,971 $ 281,940

The accompanying notes are an integral part of these statements.

Fremont General Corporation and Subsidiaries
Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended June 30,	
(Thousands of dollars)	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	**$ (855,794)**	$ 83,611
Less: income (loss) from discontinued operations	**(855,878)**	49,578
Income from continuing operations	**84**	34,033
Adjustments to reconcile income from continuing operations to net cash provided by (used in) operating activities:		
Provision for loan losses	**182**	15,601
Provision for deferred income taxes	**(10,614)**	9,386
Depreciation and amortization	**14,007**	319
Compensation expense related to deferred compensation plans	**4,063**	6,109
Change in accrued interest	**22,583**	(20,016)
Change in other assets	**(219,359)**	13,814
Change in accounts payable and other liabilities	**(48,853)**	(34,901)
Originations and advances funded for commercial real estate loans held for sale	**(1,664,535)**	
Payments received from and sales of commercial real estate loans held for sale	**1,879,131**	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES CONTINUING OPERATIONS	**(23,311)**	24,345
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES DISCONTINUED OPERATIONS	**3,744,709**	(595,079)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**3,721,398**	(570,734)
CASH FLOWS FROM INVESTING ACTIVITIES		
Originations of loans held for investment		(1,943,078)
Payments received from and sales of loans held for investment		1,038,919
Investment securities available for sale:		
Purchases		
Maturities or repayments	**188**	127
Net purchases of FHLB stock	**86,860**	(75,482)
Purchases of premises and equipment	**(5,092)**	(10,736)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES CONTINUING OPERATIONS	**81,956**	(990,250)
NET CASH PROVIDED BY INVESTING ACTIVITIES DISCONTINUED OPERATIONS	**53,394**	96,228

NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**135,350**	(894,022)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposits accepted, net of repayments	**(308,643)**	960,964
Extinguishment of Senior Notes and LYONs		(5,933)
Dividends paid	**(9,489)**	(16,269)
Excess tax benefits related to share-based payments		2,050
Purchase of Company common stock for deferred compensation plans	**(13,904)**	(33,403)
NET CASH PROVIDED BY (USED IN) BY FINANCING ACTIVITIES CONTINUING OPERATIONS	**(332,036)**	907,409
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES DISCONTINUED OPERATIONS	**(1,060,000)**	356,000
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**(1,392,036)**	1,263,409
Increase (decrease) in cash and cash equivalents	**2,464,712**	(201,347)
Cash and cash equivalents at beginning of period	**761,642**	768,643
Cash and cash equivalents at end of period	**$ 3,226,354**	$ 567,296

The accompanying notes are an integral part of these statements.

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Fremont General Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(Thousands of dollars)	2007	2006	2007	2006
Net income (loss)	**$ (265,183)**	$ 51,924	**$ (855,794)**	$ 83,611
Other comprehensive income (loss):				
Net change in unrealized gains (losses) during the period:				
Residual interests in securitized loans	**(4,847)**	11,399	**(6,408)**	6,033
Investment securities	**(1)**	92	**(2)**	2,058
	(4,848)	11,491	**(6,410)**	8,091
Less income tax expense (benefit)	**(1,923)**	4,542	**(2,543)**	3,170
Other comprehensive income (loss)	**(2,925)**	6,949	**(3,867)**	4,921
Total comprehensive income (loss)	**$ (268,108)**	$ 58,873	**$ (859,661)**	$ 88,532

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Fremont General Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)

NOTE 1 BASIS OF PRESENTATION
Overview
Fremont General Corporation (Fremont General or when combined with its subsidiaries, (the Company) is a financial services holding company. Fremont General s financial services operations are consolidated within Fremont General Credit Corporation (FGCC), through its California industrial bank subsidiary, Fremont Investment & Loan (FIL). FIL offers certificates of deposit and savings and money market deposit accounts through its 22 retail banking branches in California. FIL s deposit accounts are insured up to the maximum legal limit by the Federal Deposit Insurance Corporation (FDIC). During the six month period ended June 30, 2007, the Company was engaged in the commercial and residential (consumer) real estate lending businesses on a nationwide basis.

Concurrently with the filing of this report, the Company is filing its Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2007. We urge you to read these reports, which can be obtained from Fremont General s website at www.fremontgeneral.com, or the SEC s website at www.sec.gov, or by contacting our Investor Relations Department at 310/315-5500 or by sending an email message to invrel@fmt.com.

Exit from Sub-prime Mortgage Business; Cease and Desist Order. During the first quarter of 2007, the sub-prime market experienced a significant deterioration that included increases in borrower delinquencies and a deterioration of credit that resulted in a substantial increase in the amount of residential loan repurchases and repricings resulting from early payment defaults and breaches of representations and warranties.

During the second quarter of 2007, the Company recorded provisions of $124.4 million and $125.9 million to its valuation and repurchase reserves, respectively, and $517.7 million and $256.6 million, respectively, during the six months ended June 30, 2007. For further information concerning the changes to these reserves see Note 4.

On March 2, 2007, the Company announced that it intended to exit its sub-prime residential real estate lending operations. This move was consistent with regulatory guidelines issued that day, and was prompted by the Company s receipt on February 27, 2007 of a proposed Cease and Desist Order (the Order) from the FDIC calling for the Company to make a variety of changes designed to restrict the level of lending in its sub-prime residential mortgage business as well as the Company s analysis of the deterioration of the sub-prime residential real estate market. On March 7, 2007, the Company announced that it had ceased entering into new funding commitments with respect to sub-prime mortgage loans, although it would honor remaining outstanding commitments.

On March 7, 2007, Fremont General, FGCC and FIL consented to the Order without admitting to the allegations contained in the Order.

The Order requires, among other things, that FIL make a variety of changes in its sub-prime residential loan origination business and also calls for certain changes in its commercial real estate lending business. As more fully described elsewhere in this report, the Company has exited its sub-prime residential real estate operations and has sold its commercial real estate lending business and related loan portfolio. In addition, the Order requires that FIL adopt a Capital Adequacy Plan to maintain adequate Tier-1 capital in relation to its risk profile. Further, the Order mandates various specific management requirements, including having and retaining qualified management acceptable to the FDIC and the Department of Financial Institutions of the State of California (DFI), and provides for enhanced regulatory oversight over FIL s operations. The Order is more fully described in a Current Report on Form 8-K filed by the Company on March 7, 2007.

Residential Real Estate Transactions. On March 21, 2007, the Company announced that FIL had entered into whole loan sale agreements to sell approximately $4 billion of its sub-prime residential real estate loans. On April 16, 2007, the Company announced that FIL had entered into an agreement to sell another $2.9 billion of sub-prime residential real estate loans, which represented the majority of the Company s sub-prime residential loans held for sale that had not yet been sold. The Company is in discussions with various

parties with respect to the sale of the Company s sub-prime residential loan servicing platform and other assets. There can be no assurances that the Company will be able to enter into any transaction with respect to such business. In addition, given the significant market challenges that currently exist in the residential real estate sector, even if such transactions are completed, there can be no assurances that the consideration received in such sales will provide substantial benefit to the Company s operating results or financial position.

Subsequent Events

Commercial Real Estate Transaction. On July 2, 2007, FIL completed the disposition of its commercial real estate lending business and related loan portfolio to *i*Star Financial Inc. (*i*Star) pursuant to an Asset Purchase Agreement entered into on May 21, 2007. FIL sold its entire $6.27 billion commercial real estate loan portfolio to *i*Star and received $1.89 billion in cash plus a $4.21 billion participation interest in the sold portfolio. The $1.89 billion in cash represented 30% of the unpaid principal balance of the loan portfolio as of the closing, net of a purchase discount. The $4.21 billion participation interest in the total loan portfolio represented 70% of the unpaid principal balance of the loan portfolio as of the closing, net of a purchase discount. The participation interest bears interest at LIBOR + 150 basis points. FIL s participation interest in the loan portfolio is governed by a participation agreement pursuant to which FIL is entitled to receive 70% of all principal payments on the loans sold to *i*Star, including with respect to any portion of the unfunded commitments with respect to such loans that are subsequently funded by *i*Star. Additionally, *i*Star purchased a majority of the non-loan assets used in the business for $50 million in cash. In connection with the transaction, *i*Star assumed all obligations with respect to the loan portfolio after the closing date (including the obligation to fund approximately $3.72 billion of existing unfunded commitments) and the obligations under certain assumed leases and intellectual property contracts. As of the closing date, *i*Star employed substantially all of the employees previously engaged in the Company s commercial real estate lending business.

Transaction with Gerald J. Ford. On May 21, 2007, Fremont General and FIL entered into an Investment Agreement with an entity controlled by Gerald J. Ford providing for the acquisition by an investor group led by Mr. Ford of a combination of approximately $80 million in exchangeable non-cumulative preferred stock of FIL and warrants to acquire additional common stock of Fremont General. On September 26, 2007, the Company announced that it had been advised by Mr. Ford that, in light of certain developments pertaining to Fremont General and FIL, Mr. Ford was not prepared to consummate such transactions on the terms set forth in the Investment Agreement. The Company said that, while it does not necessarily agree with the factual positions taken by Mr. Ford, it is in discussions with Mr. Ford concerning revised terms under which an entity controlled by Mr. Ford would proceed with an $80 million investment in exchangeable preferred stock of FIL and receive warrants to acquire additional common stock of Fremont General. There can be no assurances as to whether or when the parties may reach an agreement with respect to revised transaction terms.

Discontinued Operations

As more fully described above, in March 2007, the Company decided to exit the residential real estate business and to sell substantially all of the assets related to such business. In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS No. 144), the Company has classified the residential real estate operations as discontinued operations as the cash flow of the business has been eliminated from its ongoing operations and the Company will no longer have any significant continuing involvement in the business. Therefore, the results of operations, financial position and cash flows of the Company s residential real estate operations are presented separately in the consolidated financial statements and notes as discontinued operations for all periods presented.

When an operation meets the criteria for held for sale accounting as defined in SFAS No. 144, the operation is evaluated to determine whether the carrying value exceeds its fair value less costs to sell. Any loss resulting from the carrying value exceeding the fair value less costs to sell is recorded in the statement of operations in the period the operation meets the criteria for held for sale accounting. Management judgment is required to both assess the criteria

required for held for sale accounting as well as to estimate fair value. Changes in the operation could cause it to no longer qualify for held for sale accounting and changes in fair value could result

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in an increase or decrease to previously recognized losses. For additional information concerning the Company s discontinued operations see Note 4.

General

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The consolidated financial statements include the accounts and operations of Fremont General and its subsidiaries including those variable interest entities where the Company is the primary beneficiary. All intercompany balances and transactions have been eliminated in consolidation.

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that materially affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, all adjustments considered necessary for the fair presentation of the interim financial statements have been included. See Note 4 for additional information concerning the results of the Company s discontinued operations and Note 7 for information concerning exit costs related to the disposal of the Company s commercial real estate lending business and related loan portfolio. The operating results for the six month period ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

The unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2006.

NOTE 2 RECENT ACCOUNTING STANDARDS

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments an amendment of FASB Statements No. 133 and 140 (SFAS No. 155). SFAS No. 155 requires companies to evaluate their interests in securitized financial assets and determine whether the interests are freestanding derivatives or hybrid financial instruments that may be subject to bifurcation. SFAS No. 155 provides companies with relief from having to separately determine the fair value of an embedded derivative that would otherwise be required to be bifurcated from its host contract in accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 155 also clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives and amends SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. The Company adopted SFAS No. 155 as of January 1, 2007 without any significant impact on the Company s financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, Accounting for Servicing of Financial Assets an amendment of FASB Statement No. 140 (SFAS No. 156). SFAS No. 156 requires entities to separately recognize a servicing asset or liability when undertaking an obligation to service a financial asset under a servicing contract in certain situations, including a transfer of the servicer s financial assets that meets the requirements for sale accounting. SFAS No. 156 requires that any such servicing asset or liability be initially measured at fair value, if practicable, and then provides the option to either: (1) carry the mortgage servicing rights (MSRs) at fair value with changes in fair value recognized in current period earnings; or (2) continue recognizing periodic amortization expense and assess the MSRs for impairment as originally required by SFAS No. 140. The Company adopted SFAS No. 156 effective January 1, 2007 without any impact; electing to continue to record periodic amortization expense as originally required under SFAS No. 140.

In July 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN No. 48). FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in an entity s financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. FIN No. 48 prescribes a two-step approach for the recognition and measurement of a tax position taken or expected to be taken in an entity s tax return. The first step in the evaluation of a tax position is recognition: The Company must determine whether it is more likely than not that a given tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on

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the technical merits of the position. In this evaluation the Company must presume that the position will be examined by the appropriate taxing authority that would have full knowledge of all relevant information. The second step is measurement: A tax position meeting the more-likely-than-not recognition threshold is recorded at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Company adopted FIN No. 48 effective January 1, 2007 resulting in a charge to beginning retained earnings of $3.4 million. See Note 8 for further information on the impact of adopting FIN No. 48 and other tax related information.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with GAAP and provides for expanded disclosures concerning fair value measurements. SFAS No. 157 retains the exchange price notion in earlier definitions of fair value; however, focuses on the price that would be received to sell the asset or paid to transfer the liability at the measurement date (an exit price), not the price that would be paid to acquire the asset or received to assume the liability (an entry price). SFAS No. 157 also establishes a fair value hierarchy used to classify the source of information used by the entity in fair value measurements. That is, assumptions developed based on market data obtained from independent sources (observable inputs) versus the entity s own assumptions about market assumptions developed based on the best information available in the circumstances (unobservable inputs).

The Company is currently evaluating the impact of adopting SFAS No. 157; however, the Company does not believe the adoption will have a significant impact on its financial position or results of operations. SFAS No. 157 is effective for the Company s fiscal year beginning January 1, 2008.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115 (SFAS No. 159). SFAS No. 159 allows entities the option to measure many financial instruments and certain other items at fair value at specified election dates with changes in fair value reported in earnings. The fair value option may be applied on an instrument by instrument basis (with some exceptions), is irrevocable (unless a new election date occurs) and is applied only to entire instruments and not to portions of instruments. The FASB indicated that the objective of this statement is to improve financial reporting by providing entities the opportunity to mitigate volatility in reported earnings that are caused by measuring related assets and liabilities differently, without having to apply complex hedge accounting provisions. The Company is currently evaluating the impact of adopting SFAS No. 159. SFAS No. 159 is effective for the Company s fiscal year beginning January 1, 2008.

NOTE 3 CASH AND CASH EQUIVALENTS

From December 31, 2006 to June 30, 2007, the Company increased its total cash and cash equivalents by approximately $2.46 billion. This increase was funded by a growth in deposits and debt financing during the first six months of 2007. The normal deployment of increased deposits and debt to fund new loan growth was curtailed due to the decision to exit the sub-prime loan origination business during the first quarter of 2007 coupled with the ongoing sale of residential real estate mortgage loans held for sale during the first six months of 2007.

Cash and cash equivalents are summarized in the following table as of the dates indicated:

(Thousands of dollars)		June 30, 2007		December 31, 2006
Cash on hand	**$**	**256**	$	248
Deposits in other financial institutions		**59,806**		118,228

Short-term money market funds		**25,084**		46,971
FHLB shareholder transaction account		**350,169**		397,548
Federal Reserve account		**11,874**		2,078
Federal funds sold		**243,633**		
U.S. Government Agency money market fund		**2,189,927**		169,545
Short-term commercial paper		**345,605**		27,024
Total cash and cash equivalents	**$**	**3,226,354**	$	761,642

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The FHLB shareholder transaction account represents a short-term interest-bearing account with the Federal Home Loan Bank of San Francisco. The Company s commercial paper holdings have ratings of A1 / P1 or better. The short-term money market funds have AAA / Aaa money market fund ratings. As of June 30, 2007, $1.3 million in deposits in other financial institutions were restricted. No other cash and cash equivalents were restricted as of June 30, 2007 and December 31, 2006.

NOTE 4 DISCONTINUED OPERATIONS

As more fully described in Note 1, in March 2007, the Company decided to exit the residential real estate business and sell substantially all of the assets related to such business. The Company has determined there are no migration of revenues or costs as defined in EITF 03-13, Applying the Conditions in Paragraph 42 of FASB Statement No. 144 in Determining Whether to Report Discontinued Operations (EITF 03-13), since the Company is disposing of substantially all of its residential real estate operations and assets. In addition, although continuing cash flows may occur related to loan repurchases and repricings the Company is obligated to make in subsequent periods under standard industry representations and warranties for its residential real estate whole loan sales, the resolution of these contingencies do not constitute continuing cash flows or continuing involvement as defined in EITF 03-13. Therefore, in accordance with SFAS No. 144, the results of operations, financial position and cash flows of the Company s residential real estate operations are presented separately in the consolidated financial statements and notes as discontinued operations for all periods presented.

Assets and Liabilities of Discontinued Operations

The major classifications of assets and liabilities of the Company s discontinued operations are summarized as follows as of the dates indicated:

(Thousands of dollars)		June 30, 2007		December 31, 2006
Residential real estate loans held for sale net	**$**	**529,101**	$	4,949,747
Servicing advances		**263,100**		92,175
Mortgage servicing rights net		**62,770**		101,172
Residual interests in securitized loans at fair value		**34,932**		85,468
REO		**20,013**		12,790
Investment securities classified as available-for-sale		**15,803**		21,282
Loans receivable		**10,367**		8,568
Accrued interest receivable		**9,105**		18,572
Other assets		**10,122**		26,146
Total assets to be sold	**$**	**955,313**	$	5,315,920

Loan repurchase reserve	**$**	**214,638**	$	140,923
Premium repurchase reserve		**436**		6,878
Premium recapture reserve				1,564
Federal Home Loan Bank advances				1,060,000
Other liabilities		**60,152**		97,840
Total liabilities	**$**	**275,226**	$	1,307,205

Residential Real Estate Loans Held for Sale and Valuation Reserve: Residential real estate loans held for sale are aggregated prior to their sale and are carried at the lower of aggregate cost or estimated fair value less costs to sell. Estimated fair values are based upon current secondary market prices for loans with similar coupons, maturities and credit quality. The following tables detail the residential real estate loans held for sale included

in discontinued operations and the valuation reserve to adjust the loans to estimated fair value less costs to sell as of the dates indicated:

Residential Real Estate Loans Held For Sale (Thousands of dollars)	June 30, 2007	December 31, 2006
Loan principal balance:		
First trust deeds	**$ 851,660**	$ 4,843,547
Second trust deeds	**154,266**	345,845
	1,005,926	5,189,392
Net deferred direct origination costs	**5,013**	38,940
	1,010,939	5,228,332
Valuation reserve	**(481,838)**	(278,585)
Loans held for sale net	**$ 529,101**	$ 4,949,747
Loans held for sale on non-accrual status	**$ 146,548**	$ 64,652

Valuation Reserve (Thousands of dollars)	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Beginning balance	**$ 683,397**	$ 48,719	**$ 278,585**	$ 32,753
Provision	**124,420**	29,946	**517,663**	47,280
Discounted sales	**(416,602)**	(32,110)	**(471,026)**	(49,488)
Charge-offs	**(5,080)**	(3,172)	**(12,952)**	(4,870)
Transfer from repurchase reserve	**95,703**	31,050	**169,568**	48,758
Ending balance	**$ 481,838**	$ 74,433	**$ 481,838**	$ 74,433

Loan Repurchase Reserve: As the residential real estate loans held for sale are sold, the Company makes standard industry representations and warranties about the loans. The Company may have to subsequently repurchase certain loans due to defects that occurred in the origination of the loans. During the second quarters of 2007 and 2006, the Company repurchased a total of $330.6 million and $159.9 million in loans, respectively. During the first six months of 2007 and 2006, the Company repurchased a total of $652.8 million and $238.6 million in loans, respectively. The following table summarizes the activity in the repurchase reserve within discontinued operations for the periods

indicated.

(Thousands of dollars)	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Beginning balance	**$ 190,209**	$ 23,337	**$ 140,923**	$ 14,556
Provision	**125,852**	79,750	**256,589**	110,295
Charge-offs for loan repricing	**(5,720)**	(14,451)	**(13,306)**	(18,507)
Transfer to valuation reserve	**(95,703)**	(31,050)	**(169,568)**	(48,758)
Ending balance	**$ 214,638**	$ 57,586	**$ 214,638**	$ 57,586

Premium Repurchase and Recapture Reserve: The Company also maintains a reserve for premium recapture that represents the estimate of probable refunds of premiums received on previously completed loan sales (either due to early loan prepayments or for certain loans repurchased from prior sales) that are expected to occur under the provisions of the various agreements entered into for the sale of its residential real estate loans held for sale. The following table summarizes the activity in the premium recapture reserve within discontinued operations for the periods indicated:

(Thousands of dollars)	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Beginning balance	**$ 2,255**	$ 2,937	**$ 8,442**	$ 4,259
Provision for premium recapture on repurchased loans	**(8,596)**	7,462	**(8,542)**	9,771
Provision for standard premium recapture	**(340)**	7,207	**(568)**	7,629
Refunds	**7,117**	(6,945)	**1,104**	(10,998)
Ending balance	**$ 436**	$ 10,661	**$ 436**	$ 10,661

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Mortgage Servicing Rights: The following table summarizes the activity in the Company s mortgage servicing rights asset within discontinued operations for the periods indicated:

(Thousands of dollars)	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Beginning balance	**$ 95,746**	$ 45,337	**$ 101,677**	$ 46,022
Additions (sales)	**(5,072)**	26,261	**5,495**	33,620
Amortization	**(15,169)**	(8,859)	**(31,667)**	(16,903)
Ending balance before valuation allowance	**75,505**	62,739	**75,505**	62,739
Valuation allowance:				
Beginning balance	**(2,979)**		**(505)**	
Provision for temporary impairment	**(9,756)**		**(12,230)**	
Ending balance	**(12,735)**		**(12,735)**	
Mortgage servicing rights net	**$ 62,770**	$ 62,739	**$ 62,770**	$ 62,739
Estimated fair value	**$ 82,133**	$ 68,329	**$ 82,133**	$ 68,329

The key economic assumptions used in subsequently measuring the fair value of the Company s MSRs as of the dates indicated are as follows:

	June 30, 2007	December 31, 2006
Weighted-average life (years)	**1.5**	1.4
Weighted-average annual prepayment speed	**24.5%**	38.8%
Weighted-average annual discount rate	**19.7%**	19.6%

Residual Interests in Securitized Loans: The following table summarizes the activity of the Company s retained residual interests within discontinued operations for the periods indicated:

(Thousands of dollars)	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Beginning balance at fair value	**$ 60,773**	$ 90,236	**$ 85,468**	$ 170,723
Additions (sales)		12,584		(64,636)
Interest accretion	**7,999**	15,950	**14,225**	32,759
Cash received	**(24,034)**	(16,882)	**(53,394)**	(31,592)
Change in unrealized losses	**(4,848)**	11,399	**(6,409)**	6,033
Other-than-temporary impairment	**(4,958)**	(5,752)	**(4,958)**	(5,752)
Ending balance at fair value	**$ 34,932**	$ 107,535	**$ 34,932**	$ 107,535

The following table summarizes delinquencies and credit losses for the loans underlying the Company s outstanding securitization transactions as of the dates indicated:

(Thousands of dollars)		June 30, 2007		December 31, 2006
Original principal amount of loans securitized	**$**	**17,536,329**	$	17,536,329
Current principal amount of loans securitized	**$**	**9,348,984**	$	10,938,440
Current delinquent principal amount (over 60 days)	**$**	**1,681,600**	$	1,142,794
Inception to date credit losses (net of recoveries)	**$**	**157,201**	$	53,241

Key economic assumptions used in subsequently measuring the fair value of the Company s residual interests as of the dates indicated are as follows:

	June 30, 2007	December 31, 2006
Weighted-average life (years)	**2.0**	2.5
Weighted-average annual prepayment speed	**25.0%**	25.0%
Weighted-average lifetime credit losses	**5.5%**	5.5%
Weighted-average annual discount rate	**31.4%**	24.0%

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Operating Results of Discontinued Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
(Thousands of dollars)	2007	2006	2007	2006
Interest income	**$ 64,598**	$ 183,982	**$ 200,702**	$ 340,462
Non-interest income	**(249,406)**	18,507	**(868,266)**	17,620
Revenues from discontinued operations	**$ (184,808)**	$ 202,489	**$ (667,564)**	$ 358,082
Income (loss) on sale of discontinued operations	**$ (246,283)**	$ 8,374	**$ (876,975)**	(6,802)
Interest income	**64,598**	183,982	**200,702**	340,462
Interest expense	**(43,495)**	(98,807)	**(131,004)**	(175,820)
Provision for loan loss	**(2)**	(1)	**(15)**	13
Loan servicing income	**30,831**	23,482	**63,667**	44,831
Mortgage servicing rights amortization and impairment provision	**(24,986)**	(8,859)	**(47,097)**	(16,903)
Impairment on residual assets	**(10,331)**	(5,752)	**(10,331)**	(5,752)
Other non-interest income	**1,363**	1,262	**2,470**	2,246
Compensation and related	**(18,582)**	(31,487)	**(69,403)**	(64,257)
Occupancy	**(2,407)**	(4,749)	**(14,846)**	(8,956)
Other non-interest expense	**(6,925)**	(13,937)	**(55,922)**	(26,369)
Income (loss) from discontinued operations	**$ (256,219)**	$ 53,508	**$ (938,754)**	$ 82,693
Income tax (expense) benefit	**3,181**	(21,265)	**82,876**	(33,115)
Income (loss) from discontinued operations, net of income taxes	**$ (253,038)**	$ 32,243	**$ (855,878)**	$ 49,578

The loss from discontinued operations, net of income taxes, was $253.0 million for the second quarter of 2007, representing a $3.29 diluted loss per share, compared to income from discontinued operations, net of income taxes, of $32.2 million, or $0.42 diluted income per share for the second quarter of 2006. During the first six months of 2007, the loss from discontinued operations, net of income taxes, was $855.9 million, representing a $11.10 diluted loss per share, compared to income from discontinued operations, net of income taxes, of $49.6 million, or $0.65 diluted income per share for the comparable period in 2006.

During the second quarter of 2007, the Company recorded a realized loss of $246.3 million related to the sale of $4.32 billion of residential real estate loans held for sale. During the six months ended June 30, 2007, the Company recognized a loss of $877.0 million related to the sale of $8.51 billion of residential real estate loans held for sale. Expense provisions related to the residential real estate loan valuation, repurchase and premium recapture reserves are included in these losses. In addition, during the first six months of 2007, the Company recognized a $38.8 million adjustment to write down the carrying value of the residential real estate held for sale assets to their estimated fair value less costs to sell.

During the second quarters of 2007 and 2006, the Company recognized $56.6 million and $133.8 million, respectively, in interest income on the residential real estate loan portfolio. During the six months ended June 30, 2007 and 2006, the Company recognized $186.5 million and $273.5 million, respectively, in interest income on the residential real estate loan portfolio.

During the second quarter of 2007, the Company continued to service residential real estate loans, recognizing loan servicing income of $30.8 million as compared to $23.5 million during the second quarter of 2006. During the six months ended June 30, 2007 and 2006, the Company recognized $63.7 million and $44.8 million, respectively, in loan servicing income. The Company was servicing on a to maturity basis $18.83 billion and $18.12 billion in principal balance of loans as of June 30, 2007 and December 31, 2006, respectively.

The loss from discontinued operations for the six months ended June 30, 2007 includes a $5.3 million charge for one time severance payments paid to employees of the residential real estate loan origination operations and related support staff. In addition, the Company recorded a $10.7 million charge for lease termination costs related to the Company s residential real estate loan origination offices.

During the six months ended June 30, 2007, cash flows related to residential real estate loan originations and proceeds realized on the sale of such loans were $3.89 billion and $7.86 billion, respectively, and during the six

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months ended June 30, 2006, such cash flows were $18.08 billion and $17.15 billion, respectively. These amounts are included in cash flows from operating activities in the Company s consolidated statements of cash flows.

NOTE 5 COMMERCIAL REAL ESTATE LOANS HELD FOR SALE

As more fully described in Note 1, on July 2, 2007, FIL completed the sale of its commercial real estate lending business and related loan portfolio to *i*Star.

Commercial real estate loans held for sale were primarily variable rate and were secured primarily by first mortgages on various types of properties. The commercial real estate loans held for sale were primarily comprised of bridge and construction loans of relatively short duration (rarely more than five years in length of term and often shorter, such as two to three years). These loans were funded throughout the term as the construction progressed.

The following table further details the net commercial real estate loans that were classified as held for sale as of June 30, 2007 and held for investment as of December 31, 2006.

(Thousands of dollars)	June 30, 2007	December 31, 2006
Loans outstanding	**$ 6,905,677**	$ 6,749,316
Participations sold	**(642,509)**	(202,014)
Loans outstanding, net of participations sold	**6,263,168**	6,547,302
Unamortized deferred origination fees and costs	**(45,470)**	(59,804)
Loans outstanding	**6,217,698**	6,487,498
Carrying value adjustment/allowance for loan loss	**(232,465)**	(230,398)
Loans held for sale net	**$ 5,985,233**	$ 6,257,100

Due to the reclassification of the commercial real estate loan portfolio from held for investment to held for sale in the first quarter of 2007, the Company eliminated the allowance for loan loss and adjusted the carrying value of the loans to their estimated fair value less costs to sell.

In cases where a borrower experienced financial difficulties and the Company made certain concessionary modifications to contractual terms (typically a reduction of the interest rate charged), the loan was classified as a restructured (accruing) loan if the loan was performing in accordance with the agreed upon modified loan terms and projected cash proceeds were deemed sufficient to repay both principal and interest. Restructured loans are presented as such in the period of restructure and the three subsequent quarters. The following table sets forth information regarding the Company s commercial real estate loans on non-accrual status and restructured loans on accrual status.

(Thousands of dollars)	June 30,	December 31,

	2007	2006
Non-accrual commercial real estate loans held for sale	**$ 946,662**	$ 1,110,965
Restructured commercial real estate loans on accrual basis	**$**	$

NOTE 6 REAL ESTATE OWNED

The Company s real estate owned (REO) consists of property acquired through or in lieu of foreclosure on loans secured by real estate. REO is reported in the financial statements at the lower of cost or estimated realizable value (net of estimated costs to sell). REO consisted of the following as of the dates indicated.

(Thousands of dollars)	June 30, 2007	December 31, 2006
Commercial real estate	**$ 65,897**	$ 299
Valuation reserve	**(63)**	
Real estate owned net	**$ 65,834**	$ 299

NOTE 7 EXIT AND DISPOSAL COSTS

As more fully described in Note 1, the Company completed the sale of its entire $6.27 billion commercial real estate loan portfolio to *i*Star in July 2007, and received cash of $1.89 billion and a 70% participation interest of $4.21 billion in the loans sold. Due to the participation, cash flows from the component will not be eliminated from the Company s ongoing operations. Because the Company expects significant cash inflows will be received as a result of the continuation of activities between itself and the commercial real estate component, the sale does not result in the classification of the commercial real estate operation as discontinued, as defined by EITF No. 03-13. Based on management s decision to sell the commercial loan portfolio in the first quarter of 2007, the Company reclassified the commercial real estate loans from held for investment to held for sale.

In connection with the sale, approximately 131 employees in the commercial real estate loan origination operation transferred to *i*Star. In accordance with SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities, the Company recorded employee severance charges for terminated employees that did not transfer to *i*Star in the amount of $8,000 and $6.1 million as part of compensation and related costs in the first and second quarters of 2007, respectively. In addition, in the first and second quarters of 2007, the Company incurred $168,000 and $1.1 million, respectively, in other charges related to the sale of the commercial real estate loan origination operation and related loan portfolio. These charges are included in other non-interest expense in the consolidated statements of operations.

NOTE 8 INCOME TAXES

The major components of income tax expense from continuing operations are summarized in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Thousands of dollars)	2007	2006	2007	2006
Federal:				
Current	**$ 3,601**	$ 13,870	**$ 11,090**	$ 11,238
Deferred	**(9,288)**	(2,782)	**(7,536)**	8,911
	(5,687)	11,088	**3,554**	20,149
State:				
Current	**758**	3,541	**2,304**	1,983
Deferred	**(2,470)**	(1,633)	**(3,078)**	475
	(1,712)	1,908	**(774)**	2,458
Total income tax expense (benefit)	**$ (7,399)**	$ 12,996	**$ 2,780**	$ 22,607

The Company recorded an income tax benefit relating to its discontinued operations of $(82.9) million for 2007 of which $(136.1) million was current and $53.2 million was deferred. Included in the deferred tax expense for 2007 was

an addition to the deferred tax asset valuation allowance of $290.3 million. In 2006, the Company recorded an income tax expense relating to its discontinued operations of $33.1 million of which $64.3 million was current and $(31.2) million was deferred.

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The deferred income tax balance includes the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and for income tax purposes. The components of the Company s deferred tax assets are summarized in the following table:

(Thousands of dollars)	June 30, 2007	December 31, 2006
Deferred tax assets:		
Mark-to-market on loans held for sale	**$**	$ 7,398
Premium recapture and repurchase reserves	**90,718**	62,136
Allowance for loan losses	**38,686**	40,262
Compensation related items	**56,277**	29,150
Net operating loss carryforward	**214,086**	21,005
Other net	**4,940**	164
Total deferred tax assets	**404,707**	160,115
Deferred tax liabilities:		
Loan origination costs and fees	**(3,375)**	(16,902)
Mortgage servicing	**(25,040)**	(37,718)
State income and franchise taxes	**(38,483)**	(17,924)
Total deferred tax liabilities	**(66,898)**	(72,544)
Net deferred tax asset before valuation allowance	**337,811**	87,571
Valuation allowance	**(325,305)**	(34,995)
Net deferred tax asset after valuation allowance	**$ 12,504**	$ 52,576

The Company has accrued the expected tax and interest exposure for tax matters that are either in the process of resolution or have been identified as having the potential for adjustment. These matters primarily consist of issues relating to the discontinued insurance operations, the apportionment of income to various states and the deduction of certain expenses.

In assessing the realization of deferred income tax assets, the Company considers whether it is more likely than not that the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets depends on the ability to recover previously paid taxes through loss carrybacks and the generation of future taxable income during the periods in which temporary differences become deductible. At June 30, 2007, it was the Company s opinion that it was likely that $12.5 million of the deferred tax asset would be realized and a full valuation reserve was recorded for the remaining deferred tax asset. It is expected that the projected gain on the sale of the commercial lending business to *i*Star, as more fully described in Note 1, will provide the future taxable income needed to realize the $12.5 million net deferred tax asset.

The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized an approximate $3.4 million increase in the liability for unrecognized tax benefits, which was accounted for as a reduction to the January 1, 2007 balance of retained earnings. The total amount of unrecognized tax benefits as of the date of adoption on January 1, 2007 was $22.1 million, all of which would favorably affect the effective tax rate if recognized.

The Company records interest expense and penalties related to unrecognized tax benefits as a component of income tax expense. At January 1, 2007, the Company had accrued $1.8 million and $500,000 for the potential payments of interest and penalties.

The Internal Revenue Service is currently examining the Company s 2004 and 2005 income tax returns. The California Franchise Tax Board has examined the Company s franchise tax returns through the 2004 tax year.

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NOTE 9 DEBT FREMONT GENERAL CORPORATION

The debt of Fremont General is detailed in the following table; none of the Fremont General debt is guaranteed by FIL:

(Thousands of dollars)	June 30, 2007	December 31, 2006
Senior Notes due 2009, less discount (2007 $491; 2006 $635)	**$ 166,039**	$ 165,895
Junior Subordinated Debentures	**103,093**	103,093
	$ 269,132	$ 268,988

During the six months ended June 30, 2007, there were no repurchases of either Senior Notes or Junior Subordinated Debentures.

NOTE 10 DEPOSITS, FHLB ADVANCES, FEDERAL RESERVE AND WAREHOUSE LINES OF CREDIT FIL

FIL utilizes the issuance of deposits, which are insured up to the maximum legal limit by the FDIC, Federal Home Loan Bank (FHLB) advances, Federal Reserve and warehouse lines of credit in funding its operations.

As of June 30, 2007, the weighted-average interest rate for savings and money market deposit accounts was 4.23% and for certificates of deposit it was 5.29%. The weighted-average interest rate for all deposits at June 30, 2007 was 5.10%.

Certificates of deposit as of June 30, 2007 are detailed by maturity and rates as follows:

(Thousands of dollars)	Amount	Maturing by June 30,	Weighted Average Rate
	$ 7,893,250	2008	5.28%
	77,016	2009	5.68%
	14,015	2010	5.05%
	4,132	2011	5.04%
	15,292	2012	5.19%
	$ 8,003,705		**5.29%**

Of the $8.00 billion in total certificates of deposit outstanding at June 30, 2007, $1.28 billion were obtained through brokers.

Interest expense on deposits is summarized as follows:

(Thousands of dollars)	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Savings and money market deposit accounts	**$ 18,239**	$ 14,398	**$ 37,959**	$ 28,298
Certificates of deposit	**112,869**	92,175	**223,500**	169,130
Penalties for early withdrawal	**(530)**	(188)	**(1,198)**	(358)
	$ 130,578	$ 106,385	**$ 260,261**	$ 197,070

Interest expense is charged back to both the commercial real estate operations as well as the residential real estate (discontinued) operations for the use of funds generated by the Company s corporate and retail banking operations.

Total interest payments on deposits were $134.3 million and $101.4 million, during the second quarters of 2007 and 2006, respectively, and $252.1 million and $190.3 million for the six months ended June 30, 2007 and 2006, respectively.

During the first six months of 2007, additional financing was available to FIL through advances from the FHLB. FIL s credit line with the FHLB had a maximum financing availability that was based on a percentage of FIL s regulatory assets, to which the actual borrowing capacity was subject to collateralization and certain collateral sublimits and eligibility limitations. In March 2007, following the issuance of the Order and the Company s exit from the residential real estate lending business, the FHLB limited FIL s borrowing capacity to existing outstanding debt of $3.67 billion. By March 31, 2007, FIL had utilized $2.30 billion in proceeds from loan sales and $618.1 million in debt from a warehouse lending facility to reduce the outstanding FHLB debt

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to $800.0 million. As of June 30, 2007, outstanding FHLB debt was zero and all pledged collateral was released by the FHLB to FIL. FIL does not currently maintain pledged collateral with the FHLB.

In the first quarter of 2007, FIL pledged eligible commercial real estate loans to the Federal Reserve Bank of San Francisco under the Primary Credit program (the Program). There was no outstanding debt at any time during 2007 under the Program. In June 2007, in anticipation of the *i*Star Transaction, FIL removed all commercial real estate loans pledged as collateral under the Program. As of June 30, 2007, FIL did not maintain any pledged collateral with the Federal Reserve Bank. FIL does not currently maintain pledged collateral with the Federal Reserve Bank.

In the first quarter of 2007, in connection with the Company s exit from the residential real estate lending business, FIL mutually terminated two of four existing warehouse financing lines and elected to allow one financing facility to expire. As of March 31, 2007, outstanding debt on the remaining warehouse facility was $618.0 million. On April 30, 2007 all outstanding debt on this facility was repaid. In June 2007, the remaining warehouse financing facility expired. As of June 30, 2007, FIL did not have any warehouse financing lines.

NOTE 11 OTHER ASSETS AND LIABILITIES

The following tables detail the composition of the Company s other assets and other liabilities as of the dates indicated:

	June 30,	December 31,
(Thousands of dollars)	2007	2006
OTHER ASSETS		
Federal and state(s) income taxes receivable	**$ 287,266**	$ 220,936
Assets held in SERP mutual funds	**33,992**	33,536
Other	**13,602**	14,460
Total other assets	**$ 334,860**	$ 268,932

	June 30,	December 31,
(Thousands of dollars)	2007	2006
OTHER LIABILITIES		
Deferred compensation obligation	**$ 42,390**	$ 52,926
Accounts payable	**40,994**	30,256
Accrued interest payable	**37,517**	29,884
Accrued incentive compensation	**11,115**	32,368
Restricted stock accrual	**5,333**	14,786
Accrued ESOP expense		15,664
Other	**32,294**	34,702
Total other liabilities	**$ 169,643**	$ 210,586

NOTE 12 SHARE-BASED PAYMENTS

Company stock award plans provide a long term compensation opportunity for officers and certain key employees of the Company. 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 2006 Performance Incentive Plan (the 2006 Plan) that was approved by the Company s stockholders on May 18, 2006.

Stock Options

During the years 1989 to 1997, non-qualified stock options were granted at exercise prices equal to the fair value of the stock on the date of grant. Grantees vested at the rate of 25% per year beginning on the first anniversary of the grants that expire after ten years. The remaining 468,000 non-qualified option shares outstanding and exercisable as of December 31, 2006 expired in February 2007. There are no outstanding option shares as of June 30, 2007.

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Restricted Stock Awards

Under SFAS No. 123(R), Share-Based Payment, the Company recognizes compensation expense related to its restricted stock awards based on the fair value of the shares awarded as of the grant date. Compensation expense for the restricted stock awards is recognized on a straight-line basis over the requisite service period (generally two to ten years). The compensation expense that has been charged against income for share-based compensation was $3.2 million for both the three months ended June 30, 2007 and 2006 and $7.0 million and $6.5 million for the six months ended June 30, 2007 and 2006, respectively.

A summary of the status of the Company s nonvested restricted stock awards as of June 30, 2007 and changes during the six month period then ended is presented below:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2006	3,091,640	$ 16.50
Granted	20,000	7.40
Vested	(849,010)	18.23
Forfeited	(388,946)	15.11
Nonvested at June 30, 2007	**1,873,684**	**$ 15.89**

The fair value of nonvested restricted stock awards is determined based on the closing trade price of the Company s shares on the grant date. As of June 30, 2007, there was $22.3 million of total unrecognized compensation cost related to nonvested restricted stock awards.

NOTE 13 DEFERRED COMPENSATION

The Company periodically contributes cash to an employee benefits trust (GSOP) in order to pre-fund contributions to various employee benefit plans (e.g., 401(K) match, Employee Stock Ownership Plan contribution, etc.).

The Company also maintains a Supplemental Executive Retirement Plan (SERP) and Excess Benefit Plan (EBP); both of which are deferred compensation plans designed to provide certain employees the ability to receive benefits that would be otherwise lost under the Company s qualified retirement plans due to statutory or other limits on salary deferral and matching contributions.

The following table details the composition of the Company s deferred compensation balance as of the dates indicated:

	June 30,	December 31,
(Thousands of dollars)	2007	2006
SERP and EBP	$ 9,158	$ 18,209
GSOP	3,023	2,485

Total deferred compensation	**$**	**12,181**	**$**	**20,694**

NOTE 14 INDUSTRIAL BANK REGULATORY CAPITAL

FIL is subject to various regulatory capital requirements under California and Federal regulations. Failure to meet minimum capital requirements can result in regulatory agencies initiating certain mandatory and possibly additional discretionary actions that, if undertaken, could have a direct material effect on the consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, FIL must meet specific capital guidelines that involve quantitative measures of its assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. FIL s capital amounts, its ability to pay dividends and other requirements and classifications are also subject to qualitative judgments by its regulators about components, risk weightings and other factors.

The terms of the Order require FIL to submit to the FDIC a capital plan that includes a Tier-1 capital ratio of not less than 14%. FIL s actual regulatory amounts and ratios and the related standard regulatory minimum

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amounts and ratios required to qualify as well-capitalized are detailed in the following tables as of the dates indicated:

	June 30, 2007			
	Actual		Minimum Required	
(Thousands of dollars, except percents)	Amount	Ratio	Amount	Ratio
Tier-1 Leverage Capital	$ 536,174	4.53%	$ 591,723	5.00%
Risk-Based Capital:				
Tier-1	536,174	5.19%	1,445,727	14.00%
Total	536,345	5.19%	1,032,662	10.00%

	December 31, 2006			
	Actual		Minimum Required	
(Thousands of dollars, except percents)	Amount	Ratio	Amount	Ratio
Tier-1 Leverage Capital	$ 1,326,563	10.09%	$ 657,061	5.00%
Risk-Based Capital:				
Tier-1	1,326,563	8.77%	907,639*	6.00%*
Total	1,392,814	9.21%	1,512,732	10.00%

* Based on the terms of the order, as of December 31, 2006 the minimum required amount and ratio would have been $2,117,824 and 14%, respectively.

The following table details the calculation of the respective capital amounts at FIL as of the dates indicated:

(Thousands of dollars)	June 30, 2007	December 31, 2006
Common stockholder s equity at FIL	**$ 536,167**	$ 1,326,557
Less: Disallowed portion of deferred tax assets and mortgage servicing rights		
Net unrealized losses on available-for-sale securities	**7**	6
Total Tier-1 Capital	**536,174**	1,326,563
Add: Allowable portion of the allowance for loan losses	**171**	66,251
Total Risk-Based Capital (Tier-1 and Tier-2)	**$ 536,345**	$ 1,392,814

NOTE 15 COMMITMENTS AND CONTINGENCIES

The Company retains the right in its securitization transactions to call the securities when the outstanding balance of loans in the securitization trust declines to a specific level, typically 10% of the original balance.

Legal Actions:

The Company is a defendant in a number of legal actions or regulatory proceedings arising in the ordinary course of business, from the discontinuance of the insurance operations and from regulatory examinations conducted by the FDIC and the DFI.

Enron Corp., et al v. J.P. Morgan Securities, et al:

In November 2003, the Trustee for Enron Corporation filed voidable preference and fraudulent conveyance actions in the United States District Court for the Southern District of New York, Case No. 03-92677, seeking return of money from the Company for the redemption of Enron commercial paper prior to maturity and during the preference period. The initial Complaint and First Amended Complaint alleged Enron redeemed $5 million of its commercial paper from the Company. On February 14, 2007, Enron filed a Second Amended Complaint which revised the claim against the Company from $5 million to $25 million. This increase represents the $20 million Enron allegedly redeemed from the Company s former workers compensation insurance companies, now in liquidation. The Company does not believe there is any legal authority for a voidable preference or fraudulent conveyance against it for the alleged redemption of securities held by its subsidiaries. No trial date has been set. The case is currently in the discovery phase. The Company cannot predict the outcome and intends to vigorously defend against it.

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The Bank of New York v. Fremont General Corporation:
In December 2003, The Bank of New York filed a complaint against the Company in the United States District Court for the Central District of California, Los Angeles Division, Case No. 03-9238, seeking return of approximately $14 million transferred from a custodial account with The Bank of New York when those sums were maintained as security for the Superintendent of the New York State Department of Insurance. The Bank of New York seeks return of those sums under a variety of theories. Trial has been completed in this matter resulting in a complete judgment for the Company. The Bank of New York appealed to the Ninth Circuit. Oral argument was heard on July 9, 2007. A decision by the Ninth Circuit is expected in the near future.

Fremont Indemnity Company (in Liquidation) v. Fremont General Corporation, et al:
On June 2, 2004, the State of California Insurance Commissioner (the Commissioner), as statutory liquidator of Fremont Indemnity Company (Fremont Indemnity), filed suit in Los Angeles Superior Court against the Company alleging it improperly utilized certain net operating loss deductions (NOLs) allegedly belonging to Fremont Indemnity (the Fremont Indemnity Case). This complaint involves issues that were considered resolved in an agreement among the California Department of Insurance, Fremont Indemnity and the Company (the Letter Agreement). The Letter Agreement, dated July 2, 2002, was executed on behalf of the California Department of Insurance by the Honorable Harry Low, the State of California Insurance Commissioner at that time. The Company has honored all of its obligations under the Letter Agreement. On July 16, 2004, the Commissioner filed a First Amended Complaint (FAC) adding a cause of action for concealment of an alleged reinsurance dispute and is seeking to rescind the Letter Agreement.

On January 25, 2005, The Company s motions to dismiss the lawsuit brought by the Commissioner, on behalf of Fremont Indemnity, against the Company were argued and heard before the Superior Court of the State of California (the Court). On January 26, 2005, the Court issued its rulings dismissing all the causes of action in the FAC without leave to amend, except for the cause of action for alleged concealment by the Company of a potential reinsurance dispute, which was dismissed with leave to amend. The Court also found that the Company had properly utilized the NOLs in accordance with the Letter Agreement. In addition, the Court rejected the Commissioner s request for findings that the Company s use of the NOLs and worthless stock deduction were voidable preferences and/or fraudulent transfers. The Court also rejected the Commissioner s request for injunctive relief to force the Company to amend its prior consolidated income tax returns to remove and forgo the worthless stock deduction for its investment in Fremont Indemnity.

On May 2, 2005, the Commissioner filed a Second Amended Complaint (SAC) with regard to the 7th cause of action on behalf of Fremont Indemnity against the Company alleging intentional misrepresentation, concealment and promissory fraud, which induced the Commissioner to first enter into the Letter Agreement. On July 15, 2005, the Court dismissed the SAC with 20 days leave to amend. On August 4, 2005, the Commissioner filed a Third Amended Complaint (TAC) again alleging intentional misrepresentation, concealment and promissory fraud.

On November 22, 2005, the Court dismissed the remaining cause of action in the TAC, finding that the Plaintiff still failed to plead any affirmative misrepresentation which is actionable. The Court also found that the pleading is inadequate as to damage allegations. This ruling by the Court dismissed the only remaining cause of action in the lawsuit originally brought by the Commissioner on behalf of Fremont Indemnity against Fremont General, first reported on June 17, 2004.

On February 28, 2007, the Court of Appeal of the State of California reversed the trial court s dismissal and sent the case back to the trial court for further proceedings. The Company continues to believe that this lawsuit is without merit and intends to vigorously defend against it.

Fremont Indemnity Company (in Liquidation as Successor in Interest to Comstock Insurance Company) v. Fremont General Corporation, et al:

The Commissioner filed an additional and separate complaint against the Company on behalf of Fremont Indemnity as successor in interest to Comstock Insurance Company (Comstock), a former affiliate of Fremont Indemnity, which was subsequently merged into Fremont Indemnity. This case alleged similar causes of action regarding the usage of the NOLs as in the Fremont Indemnity Case as well as improper transactions with other insurance subsidiaries and affiliates of Fremont Indemnity. This matter was deemed a related case to the Fremont Indemnity case. On April 22, 2005, the Court dismissed, without leave to amend,

the entire complaint. This ruling does not address or necessarily have legal effect on the related Fremont Indemnity case.

On February 28, 2007, the Court of Appeal of the State of California reversed the trial court s dismissal and sent the case back to the trial for further proceedings. The Company continues to believe that this lawsuit is without merit and intends to vigorously defend against it.

Gerling Global Reinsurance Corporation of America v. Fremont General Corporation, et al:
On July 27, 2005, Gerling Global Reinsurance Corporation of America (Gerling) filed a lawsuit in Federal District Court (the Court) against the Company arising out of a reinsurance treaty between Gerling and Fremont Indemnity alleging 1) Fraud/Intentional Misrepresentation and Concealment; 2) Breach of Fiduciary Duty; 3) Willful and Wanton Misconduct; 4) Negligent Misrepresentation; 5) Gross Negligence; 6) Tortuous Interference with Contract; 7) Unjust Enrichment; and 8) Breach of Contract for allegedly improper underwriting practices by Fremont Indemnity during 1998 and 1999. In October 2005, Gerling filed a First Amended Complaint (FAC) alleging 1) Fraud/Intentional Misrepresentation and Concealment; 2) Inducement to Breach and Breach of Fiduciary Duty and Duty of Utmost Good Faith; 3) Willful and Wanton Misconduct; 4) Negligent Misrepresentation; 5) Gross Negligence; 6) Tortuous Interference with Contract; 7) Unjust Enrichment; and 8) Inducement to Breach and Breach of Contract.

On December 12, 2005, the Company s Motion to Dismiss the FAC was argued and heard before the Court. On December 15, 2005, the Court issued its Order dismissing with prejudice Gerling s Third through Sixth Causes of Action, which asserted claims for Willful and Wanton Misconduct, Negligent Misrepresentation, Gross Negligence and Tortuous Interference with Contract, and also dismissed with prejudice that part of Gerling s Eighth Cause of Action that alleged Inducement to Breach of Contract. The Court also dismissed the Breach of Contract claim, but granted Gerling leave to replead that claim.

In January 2006, Gerling filed a Second Amended Complaint (SAC) alleging 1) Fraud/Intentional Misrepresentation and Concealment; 2) Breach of Fiduciary Duty and Duty of Utmost Good Faith; 3) Unjust Enrichment; and 4) Breach of Contract. On March 6, 2006, Fremont General s Motion to Dismiss this SAC were argued and heard before the Court. On its own motion, the Court converted the Motion to Dismiss to a Motion for Summary Judgment and ordered that it be reset for hearing following limited discovery on the statute of limitations issues raised in the Motion.

On January 8, 2007, The Court heard oral argument on the Company s Motion for Summary Judgment. On January 11, 2007, the Court granted the Company s Motion thereby dismissing the case. On February 5, 2007, Gerling filed its Notice of Appeal. Initial briefs have been filed. A hearing date has not yet been set.

Insurance Commissioner v. Rampino, et al:
On or about October 12, 2006, the California Insurance Commissioner, as Liquidator on behalf of Fremont Indemnity, filed a First Amended Complaint against certain former directors and officers of Fremont Indemnity for Breach of Fiduciary Duty. The Complaint alleges the defendant s breached their fiduciary duties by orchestrating and allowing Fremont Indemnity to engage in an inappropriate underwriting scheme that caused injury to Fremont Indemnity s reinsurers which in turn injured Fremont Indemnity by settlements it made with those reinsurers. The allegations in this complaint are substantially the same as those alleged by Gerling Global in its lawsuit. Although neither the Company nor any of its affiliates are defendants in this lawsuit, it is indemnifying and defending these directors and officers pursuant to the indemnification clause in Fremont General s bylaws. The case is currently in the discovery phase. Trial is currently scheduled to commence on April 14, 2008. The Company believes the lawsuit is without merit and intends to vigorously defend this matter.

Order to Cease & Desist:

As more fully described above, on March 7, 2007, Fremont General, FIL and FGCC consented to the Order issued by the FDIC without admitting to the allegations contained in the Order. The Order requires, among other things, that FIL make a variety of changes in its sub-prime residential loan origination business and also calls for certain changes in its commercial real estate lending business. In addition, the Order requires that FIL adopts a Capital Adequacy Plan to maintain adequate Tier 1 capital in relation to the risk profile of the Company. Further, the Order mandates various specific management requirements, including having and

retaining qualified management acceptable to the FDIC and the DFI, and provides for enhanced regulatory oversight over FIL s operations.

The Company cannot predict the cost of compliance with the Order or the impact of the Order upon the Company s business, financial condition or results of operations.

ERISA Complaints:
In April through June of 2007, six complaints seeking class certification were filed in the United States District Court for the Central District of California against the Company and various officers, directors and employees by participants in the Company s Investment Incentive Plan (401(k) and Employee Stock Ownership Plan (collectively the Plans) alleging violations of the Employee Retirement Income Security Act of 1974, as amended (ERISA) in connection with Company stock held by the Plans. The six complaints have been consolidated in a single proceeding. This litigation is still in its early stages. No trial date has been set. The Company believes the lawsuit is without merit and intends to vigorously defend this matter.

Securities Complaints:
In September 2007, three separate complaints seeking class certification were filed in the United States District Court for the Central District of California against the Company and various officers and directors alleging violations of federal securities laws in connection with published statements by the Company regarding its loan portfolio and loans held for resale during the period from May 9, 2006 through February 27, 2007. Management expects these lawsuits will be consolidated into a single proceeding. This litigation is still in its early stages. No trial date has been set. The Company believes these lawsuits are without merit and intends to vigorously defend these matters.

NAACP Litigation:
On July 11, 2007, the National Association for the Advancement of Colored People filed a lawsuit seeking class certification in United States District Court, Central District of California, against FIL and several other large home mortgage loan originators, alleging discriminatory lending practices. The lawsuit seeks injunctive relief and attorney fees, but not monetary damages, to enjoin defendants from the alleged discriminatory practices and to modify their conduct to comport with the law. The lawsuit has not yet been served on FIL. The Company believes the lawsuit is without merit with respect to FIL and intends to defend against it vigorously should FIL be served.

Massachusetts Attorney General Action:
In October 2007, the Office of the Attorney General of the Commonwealth of Massachusetts filed a lawsuit in Massachusetts Superior Court in Suffolk County on behalf of borrowers in Massachusetts, alleging that Fremont General and FIL engaged in unfair or deceptive practices in connection with the origination and servicing of residential mortgage loans. The complaint seeks injunctive relief, equitable relief for Massachusetts borrowers and civil penalties. The case is in its very early stages and the Company cannot predict the outcome or the effect it will have on its financial condition. However, the Company disagrees with the allegations in the lawsuit and intends to vigorously defend against it.

NOTE 16 OPERATIONS BY REPORTABLE SEGMENT
As more fully described in Note 1, in the first quarter of 2007, the Company decided to exit the residential real estate business. Therefore, the results of operations of that business are now reported as discontinued operations and the Company only has a single reportable segment as defined by SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information (SFAS No. 131).

Although the Company sold its commercial real estate lending business and entire $6.27 billion loan portfolio to *i*Star in July 2007 and received cash of $1.89 billion and a 70% participation interest of $4.21 billion in the loans sold, as more fully described in Note 7; this continuing interest in the commercial real estate operations results in significant

continuing cash flows between the Company and the commercial component. Therefore, the commercial real estate business does not meet the criteria of a discontinued operation and continues to be a reportable segment as defined by SFAS No. 131.

Through the first six months of 2007, the commercial real estate segment originated commercial real estate loans, which were primarily bridge and construction facilities, on a nationwide basis. Beginning in the first quarter of 2007, the Company reclassified these loans from held for investment to loans held for sale. The loans generated net interest income on the difference between the rates charged on the loans and the cost of borrowed funds.

Management measures and evaluates the commercial real estate segment based on net interest income and pre-tax operating results. The results of operations include certain allocated corporate expenses charged back to the commercial segment. In addition, interest expense is charged back to both the commercial segment as well as the (residential real estate) discontinued operations for the use of funds generated by the Company s corporate and retail banking operations. Interest expense is allocated to the commercial segment and discontinued operations using treasury rates matched to the terms of the respective loans.

Certain expenses that are centrally managed at the corporate level such as provision for income taxes and other general corporate expenses are excluded from the measure of segment profitability reviewed by management. The Company has included these general corporate expenses along with the results of the Company s retail banking operation, which does not meet the definition of a reportable segment, in the Corporate and Retail Banking category.

Intersegment eliminations shown in the following tables relate to the credit allocated to the retail banking operations for operating funds provided to the commercial segment.

Historical periods have been restated to conform to this presentation.

(Thousands of dollars)	Commercial Real Estate	Corporate and Retail Banking	Intersegment Eliminations	Total Consolidated
Three months ended June 30, 2007				
Total revenues	$ 142,588	$ 107,644	$ (78,487)	$ 171,745
Net interest income	$ 63,183	$ 4,669	$	$ 67,852
Provision for loan losses	39			39
Other non-interest income	918	1,305		2,223
Compensation	(12,802)	(39,953)		(52,755)
Occupancy	(914)	(3,165)		(4,079)
Other non-interest expense	(2,342)	(30,482)		(32,824)
Allocations	(1,787)	1,787		
Income (loss) before income taxes	46,295	(65,839)		(19,544)
Income tax benefit				7,399
Income (loss) from continuing operations	46,295	(65,839)		(12,145)
Loss from discontinued operations, net of income taxes				(253,038)
Net income (loss)	$ 46,295	$ (65,839)	$	$ (265,183)
Assets continuing operations	$ 6,095,239	$ 3,628,492	$ (1,958)	$ 9,721,773
Assets discontinued operations				955,313
Total consolidated assets	$ 6,095,239	$ 3,628,492	$ (1,958)	$ 10,677,086

(Thousands of dollars)	Commercial Real Estate	Corporate and Retail Banking	Intersegment Eliminations	Total Consolidated
Three months ended June 30, 2006				
Total revenues	$ 130,743	$ 68,365	$ (61,400)	$ 137,708
Net interest income	$ 65,126	$ 15,062	$	$ 80,188
Provision for loan losses	(11,706)			(11,706)
Other non-interest income	4,217	(134)		4,083

Compensation	(6,868)	(18,893)		(25,761)
Occupancy	(748)	(2,678)		(3,426)
Other non-interest expense	4,948	(15,649)		(10,701)
Allocations	(1,282)	1,282		
Income (loss) before income taxes	53,687	(21,010)		32,677
Income tax expense				(12,996)
Income (loss) from continuing operations	53,687	(21,010)		19,681
Income from discontinued operations, net of income taxes				32,243
Net income (loss)	$ 53,687	$ (21,010)	$	$ 51,924
Assets continuing operations	$ 5,559,496	$ 991,627		$ 6,551,123
Assets discontinued operations				6,365,955
Total consolidated assets	$ 5,559,496	$ 991,627		$ 12,917,078

(Thousands of dollars)	Commercial Real Estate	Corporate and Retail Banking	Intersegment Eliminations	Total Consolidated
Six months ended June 30, 2007				
Total revenues	$ 291,218	$ 201,038	$ (158,832)	$ 333,424
Net interest income	$ 132,412	$ 10,211		$ 142,623
Provision for loan losses	(182)			(182)
Other non-interest income	(26)	1,482		1,456
Compensation	(19,453)	(55,004)		(74,457)
Occupancy	(1,837)	(8,048)		(9,885)
Other non-interest expense	256	(56,947)		(56,691)
Allocations	(3,411)	3,411		
Income (loss) before income taxes	107,759	(104,895)		2,864
Income tax expense				(2,780)
Income (loss) from continuing operations	107,759	(104,895)		84
Loss from discontinued operations, net of income taxes				(855,878)
Net income (loss)	$ 107,759	$ (104,895)		$ (855,794)
Assets continuing operations	$ 6,095,239	$ 3,628,492	$ (1,958)	9,721,773
Assets discontinued operations				955,313
Total consolidated assets	$ 6,095,239	$ 3,628,492	$ (1,958)	$ 10,677,086

(Thousands of dollars)	Commercial Real Estate	Corporate and Retail Banking	Intersegment Eliminations	Total Consolidated
Six months ended June 30, 2006				
Total revenues	$ 241,800	$ 126,522	$ (112,003)	$ 256,319
Net interest income	$ 124,064	$ 30,648		$ 154,712
Provision for loan losses	(15,597)	(4)		(15,601)
Other non-interest income	5,740	564		6,304
Compensation	(13,494)	(38,907)		(52,401)
Occupancy	(1,457)	(5,392)		(6,849)
Other non-interest expense	544	(30,069)		(29,525)

Allocations	(2,494)	2,494		
Income (loss) before income taxes	97,306	(40,666)		56,640
Income tax expense				(22,607)
Income (loss) from continuing operations	97,306	(40,666)		34,033
Income from discontinued operations, net of income taxes				49,578
Net income (loss)	$ 97,306	$ (40,666)		$ 83,611
Assets continuing operations	$ 5,559,496	$ 991,627		$ 6,551,123
Assets discontinued operations				6,365,955
Total consolidated assets	$ 5,559,496	$ 991,627		$ 12,917,078

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NOTE 17 EARNINGS PER SHARE

Earnings per share have been computed based on the weighted-average number of shares. The following tables set forth the computation of basic and diluted earnings per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Thousands of shares and dollars, except per share data)	2007	2006	2007	2006
Income (loss) from continuing operations (numerator for basic and diluted earnings per share)	**$ (12,145)**	$ 19,681	**$ 84**	$ 34,033
Weighted-average shares (denominator for basic earnings per share)	**76,866**	74,517	**75,998**	74,025
Effect of dilutive securities using the treasury stock method for restricted stock and stock options:				
Employee benefit plans		1,245	**1,100**	1,195
Restricted stock		440		426
Stock options		77		88
Dilutive potential common shares		1,762	**1,100**	1,709
Adjusted weighted-average shares (denominator for diluted earnings per share)	**76,866**	76,279	**77,098**	75,734
Potentially dilutive shares related to employee benefit plans not included above since they are antidilutive	**1,031**			
Basic earnings per share from continuing operations	**$ (0.16)**	$ 0.26	**$ 0.00**	$ 0.46
Diluted earnings per share from continuing operations	**$ (0.16)**	$ 0.26	**$ 0.00**	$ 0.45

For additional disclosures regarding stock options and restricted stock see Note 12.

NOTE 18 SUBSEQUENT EVENTS

As more fully described in Notes 1 and 7 the Company completed the sale of its commercial real estate loan portfolio to *i*Star in July 2007, and received cash and a 70% participation interest in the loans sold.

Item 2. *Management s Discussion and Analysis of Financial Condition and Results of Operations*

OVERVIEW

Fremont General Corporation (Fremont General or when combined with its subsidiaries the Company or we or our) a holding company which during the six months ended June 30, 2007 was engaged in lending operations through its indirectly wholly-owned California industrial bank subsidiary, Fremont Investment & Loan (FIL). Fremont General is not a bank holding company as defined for regulatory purposes.

As discussed in more detail in Note 1 of Notes to Consolidated Financial Statements, the Company has withdrawn from the residential real estate business and has sold its commercial real estate lending business and outstanding portfolio, as well as entered into an agreement for an investment by an investor group led by Gerald J. Ford. In addition, on March 7, 2007, Fremont General, FIL and Fremont General Credit Corporation (FGCC) an intermediate holding company wholly owned by Fremont General, consented to a Cease and Desist Order (the Order) issued by the Federal Deposit Insurance Corporation (FDIC), without admitting to the allegations contained in the Order. The following discussion and analysis of the financial conditions and results of operations of the Company is qualified in its entirety by reference to such events and discusses the Company s operations as they existed during the six months ended June 30, 2007.

FIL s commercial real estate lending operation included nine regional offices and, as of June 30, 2007, had loans outstanding in 30 states. FIL funded its lending operations primarily through deposit accounts sourced in California that are insured up to the maximum legal limit by the FDIC and, to a lesser extent, advances from the Federal Home Loan Bank (FHLB) of San Francisco. FIL is regulated by the FDIC and the Department of Financial Institutions of the State of California (DFI). FIL raises its retail deposits in California (predominately Southern California) through a network of 22 branches and a centralized call center.

During the six months ended June 30, 2007, FIL s commercial real estate lending operation provided first mortgage financing on various types of commercial properties. The loans that FIL originated were substantially all held for investment, with some loans participated out to limit credit exposures. Loans are originated through broker and borrower relationships and the borrowers were typically mid-size developers and owners seeking a loan structure that provided limited recourse and were short-term, providing bridge or construction financing for comprehensive construction, renovation, conversion, repositioning and lease-up of existing or new properties. To manage the credit risk involved in this lending, FIL was focused on the value and quality of the collateral and the quality and experience of the parties with whom it did business. The size of loan commitments originated generally ranged from $20 million to $100 million, with some loans for larger amounts.

The Company s business is influenced by the overall condition of the economy, in particular the interest rate environment, and various market conditions. As a result, the Company is subject to experiencing cyclicality in volume, gain (or loss) on the sale of loans, net interest income, loan losses and earnings. During the six months ended June 30, 2007, the Company s commercial real estate operation generated income as follows.

Commercial real estate loans, which are classified as held for sale, generated net interest income on the difference between the rates charged on the loans and the cost of borrowed funds. The majority of commercial real estate loans originated were adjustable interest rate loans based upon either one, three and six-month LIBOR and an applicable margin. Previously, an allowance for loan losses was maintained through provisions (which were either an expense or a credit to income) that were recognized in the consolidated statements of operations. In connection with the reclassification of the commercial real estate loans from held for investment to held for sale, the Company established a valuation account to reduce the carrying value of the loans to their fair value less costs to sell.

The principal market risks the Company faces are interest rate risk, liquidity risk and credit risk. Interest rate risk is the risk that the valuation of the Company s interest sensitive assets and liabilities and its net interest income will change due to changes in interest rates. Liquidity risk, which is the ability of the Company to access the necessary funding and capital resources, in a cost-effective manner, to sell its loans held for sale. Liquidity risk also entails the risk of changes in secondary market conditions, which can negatively impact the

pricing realized by the Company on the loans it sells. Credit risk is the Company s potential risk of loss due to borrower default which is impacted not only by specific borrower issues but by macro economic factors such as the supply and demand of housing.

This discussion and analysis should be read in conjunction with the Consolidated Financial Statements and notes thereto presented under Item 1, and the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company s discussion and analysis of its financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an on-going basis, the Company evaluates its estimates, which are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company has identified three accounting policies as being critical because they require more significant judgment and estimates about matters that may differ from the estimates determined under different assumptions or conditions. These critical accounting policies relate to the gain or loss on whole loan sales of residential real estate loans (which is included as part of discontinued operations beginning in the first quarter of 2007), income taxes and discontinued operations. The first two critical accounting policies and estimates are discussed in Management s Discussion and Analysis in the Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

The third critical accounting policy relates to the Company s discontinued operations. As more fully described in Note 1 of Notes to Consolidated Financial Statements, in March 2007, the Company decided to exit the residential real estate business and to sell substantially all of the assets related to such business. In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS No. 144), the Company has classified the residential real estate operations as discontinued operations as the cash flow of the business has been eliminated from our ongoing operations and we will no longer have any significant continuing involvement in the business. Therefore, the results of operations, financial position and cash flows of the Company s residential real estate operations are presented separately in the consolidated financial statements and notes as discontinued operations for all periods presented.

When an operation meets the criteria for held for sale accounting as defined in SFAS No. 144, the operation is evaluated to determine whether the carrying value exceeds its fair value less costs to sell. Any loss resulting from the carrying value exceeding the fair value less costs to sell is recorded in the statement of operations in the period the operation meets the criteria for held for sale accounting. Management judgment is required to both assess the criteria required for held for sale accounting as well as to estimate fair value. Changes in the operation could cause it to no longer qualify for held for sale accounting and changes in fair value could result in an increase or decrease to previously recognized losses. For additional information concerning the Company s discontinued operations see Note 4 of Notes to Consolidated Financial Statements. For additional information regarding the Company s commercial real estate loan portfolio and its subsequent sale in July 2007, see Notes 5 and 7 of Notes to Consolidated Financial Statements.

Two changes to the Company s critical accounting policies since December 31, 2006 are the Company no longer considers derivatives and the allowance for loan losses to be critical accounting policies. Due to the Company s exit from the residential real estate business, the Company utilized fewer derivative instruments beginning in the first

quarter of 2007. As of the end of the second quarter of 2007, the Company no longer had any derivative instruments. In addition, due to the Company s decision to sell the commercial real estate loan portfolio in the first quarter of 2007, the Company reclassified the portfolio from held for investment to held for sale. The Company eliminated the allowance for loan losses and adjusted the carrying value of the loans to their estimated fair value less costs to sell. On July 2, 2007 the Company completed the sale of its

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$6.27 billion commercial real estate portfolio to iStar and removed from its balance sheet the total amount of its commercial real estate loans held for sale.

EARNINGS PERFORMANCE

As more fully described in Note 1 of Notes to Consolidated Financial Statements, the Company decided to exit the residential real estate business in March 2007 and the results of that business are now reported as discontinued operations. Therefore, during the six months ended June 30, 2007 and 2006 the Company s reported earnings from continuing operations are limited to the results from its commercial real estate business and retail banking and corporate operations.

The Company reported a loss from continuing operations before income taxes of $19.5 million for the second quarter of 2007 as compared to income of $32.7 million for the second quarter of 2006. During the six months ended June 30, 2007 the Company reported income from continuing operations before income taxes of $2.9 million as compared to $56.6 million during the comparable period in 2006. The components of the Company s results of operations are more fully described below.

Due to the Company s exit from its residential real estate lending operations and sale of its commercial real estate lending business and related loan portfolio as more fully described in Note 1 of Notes to Consolidated Financial Statements, the Company will have a reduced revenue stream for at least the remainder of fiscal year 2007, relying on interest income as its primary source of revenue. The Company expects that it will experience a lower yield on its interest earning assets due to a higher concentration in short term investment grade securities. As a result, the Company expects that it will incur a net loss from continuing operations for at least the remainder of fiscal year 2007.

Net Interest Income

The Company, in connection with its near-term strategic goal of attempting to reduce its risk profile and achieve a steady state of operations, began the process of divesting the sub-prime mortgage loan portfolio and business and its commercial real estate loan portfolio and business during 2007. This reorientation in the operations will necessarily have the effect of lowering both returns and risk profiles simultaneously with regard to the Company s balance sheet mix. The shift in the mix and risk profile of the Company s investment portfolio is deemed to be a necessary step in the Company s transition prior to setting up more permanent, sustainable and diversified asset generating businesses. There can be no assurances that the Company will be able to develop or acquire any such businesses. The following is an outline of the Company s current activities and their impact on net interest income.

Residential real estate loans

Although the whole loan sales of residential real estate loans during the first six months of 2007 reduced the Company s exposure to credit risk, they also reduced the net interest margin compared to historical results and balance sheet composition.

The Company, between December 31, 2006 and June 30, 2007, reduced its residential real estate loans held for sale by $4.42 billion to $529.1 million in connection with its previously announced loan sales. While the Company continues to market its remaining loans held for sale, it does so on a discounted or scratch and dent basis due to the nature and marketability of the remaining loans in terms of their delinquency status, aging, valuation profile, and repurchase composition. Yields will be lower because proceeds from loan sales have been reinvested in short term investment grade instruments. As an example, the Company earned $564.0 million in interest income on $6.84 billion in residential real estate loans held for sale, or 8.25% during 2006. Reinvestment of these balances is currently being executed at rates that approximate the one month LIBOR index (current yields range from 4.6% to 5.25%) as a result of the lower risk nature of the Company s short term investments.

Commercial real estate loans

The sale of the Company s $6.27 billion commercial real estate loan portfolio in return for a $4.21 billion lower yielding LIBOR-based participation interest and $1.89 billion in cash in July 2007 has enabled the Company to reinvest that money into short term investment grade securities designed to help give the Company maximum flexibility.

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Short term investments

The Company s short term investment portfolio strategy is designed to help preserve liquidity in an effort to provide maximum balance sheet flexibility during the Company s transition period. The Company will attempt to maintain a low credit risk profile and selectively purchase short lockout agency callable notes of short duration or floating rate agency collateralized mortgage obligations to enhance yield relative to other short term investments.

Deposits

The Company s funding needs are a result of the sale of its commercial real estate loans and the substantial reduction of its residential real estate loans as compared to December 31, 2006. Retail deposits were $8.37 billion at December 31, 2006 with a weighted average interest rate of 5.05% compared to $7.33 billion at September 30, 2007 with an average interest rate of 4.96%.

Broker Deposits

Broker deposits are continuing to run off based on original maturity. The Company does not expect to replenish broker deposits because the Company is required to seek prior approval from the FDIC to raise additional broker deposits under the Order. At December 31, 2006 the Company s outstanding broker deposit liability was $1.62 billion. Assuming no additional broker deposits, this run off will result in less than $300 million in these deposits outstanding as of December 31, 2007.

Net Interest Income Table

The Company recorded net interest income for the second quarter and six months ended June 30, 2007 of $67.9 million and $142.6 million, respectively, and $80.2 million and $154.7 million, respectively, for the comparable periods in 2006.

The following tables identify the consolidated interest income, interest expense, average interest-earning assets and interest-bearing liabilities, and net interest margins, as well as an analysis of changes in net interest income due to volume and rate changes, for the second quarter and first six months of 2007 and 2006:

	Three Months Ended June 30,					
	2007			2006		
housands of dollars, except percents)	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost
erest-earning assets[1]:						
mmercial real estate loans	$ 6,226,741	$ 141,670	9.13%	$ 5,560,025	$ 126,526	9.13%
sh equivalents and investment curities	1,899,359	27,852	5.88%	651,366	7,099	4.37%

tal interest-earning assets	$	8,126,100	$	169,522	8.37%	$	6,211,391	$	133,625	8.63%
erest-bearing liabilities:										
me deposits	$	8,577,053	$	112,339	5.25%	$	8,081,385	$	92,027	4.57%
vings deposits		1,682,574		18,239	4.35%		1,521,289		14,358	3.79%
nior Notes due 2009		166,530		3,350	8.05%		171,994		3,464	8.06%
ONs										
nior Subordinated Debentures		103,093		2,319	9.00%		103,093		2,319	9.00%
erest-bearing liabilities allocated to continued operations		(2,406,174)		(34,577)	5.76%		(4,133,719)		(58,731)	5.70%
tal interest-bearing liabilities	$	8,123,076	$	101,670	5.02%	$	5,744,042	$	53,437	3.73%
t interest income			$	67,852				$	80,188	
rcent of average interest-earning ets:										
erest income					8.37%					8.63%
erest expense					5.02%					3.45%
t interest margin					3.35%					5.18%

(1) Average loan balances include non-accrual loan balances.

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	Three Months Ended June 30, 2007 Compared to 2006		
	Change Due To		
(Thousands of dollars)	Volume[1]	Rate	Total
Cash equivalent and investment securities	$ 18,300	$ 2,453	$ 20,753
Commercial real estate loans	15,169	(25)	15,144
Total increase in interest income	33,469	2,428	35,897
Time deposits	(6,492)	(13,820)	(20,312)
Savings deposits	(1,748)	(2,133)	(3,881)
Senior Notes due 2009	114		114
Junior Subordinated Debentures			
Interest-bearing liabilities allocated to discontinued operations	(24,825)	671	(24,154)
Total (increase) in interest expense	(32,951)	(15,282)	(48,233)
Increase / (decrease) in net interest income	$ 518	$ (12,854)	$ (12,336)

[1] Changes in rate/volume are allocated to change in volume.

	Six Months Ended June 30,					
	2007			2006		
ousands of dollars, except percents)	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost

rest-earning assets[1]:						
nmercial real estate loans	$ 6,467,066	$ 291,244	9.08%	$ 5,297,643	$ 236,060	8.99%
h equivalents and investment urities	1,431,780	40,724	5.74%	581,601	13,955	4.84%
al interest-earning assets	$ 7,898,846	$ 331,968	8.48%	$ 5,879,244	$ 250,015	8.58%
rest-bearing liabilities:						
e deposits	$ 8,568,877	$ 222,302	5.23%	$ 7,753,930	$ 168,836	4.39%
ings deposits	1,724,086	37,959	4.44%	1,550,445	28,234	3.67%
ior Notes due 2009	166,530	6,700	8.05%	174,076	7,010	8.05%
ONs						
ior Subordinated Debentures	103,093	4,639	9.00%	103,093	4,639	9.00%
rest-bearing liabilities allocated to ontinued operations	(2,845,477)	(82,255)	5.83%	(4,200,148)	(113,416)	5.45%%
al interest-bearing liabilities	$ 7,717,109	$ 189,345	4.95%	$ 5,381,396	$ 95,303	3.57%
interest income		$ 142,623			$ 154,712	
cent of average interest-earning ts:						
rest income			8.48%			8.58%
rest expense			4.83%			3.27%
interest margin			3.65%			5.31%

(1) Average loan balances include non-accrual loan balances.

(Thousands of dollars)	Six Months Ended June 30, 2007 Compared to 2006		
	Change Due To		
	Volume[1]	Rate	Total
Cash equivalent and investment securities	$ 24,182	$ 2,587	$ 26,769
Commercial real estate loans	52,665	2,519	55,184
Total increase in interest income	76,847	5,106	81,953
Time deposits	(21,142)	(32,324)	(53,466)
Savings deposits	(3,823)	(5,902)	(9,725)
Senior Notes due 2009	310		310
Junior Subordinated Debentures			
Interest-bearing liabilities allocated to discontinued operations	(39,160)	7,999	(31,161)
Total (increase) in interest expense	(63,815)	(30,227)	(94,042)
Increase / (decrease) in net interest income	$ 13,032	$ (25,121)	$ (12,089)

(1) Changes in rate/volume are allocated to change in volume.

Non-Interest Expense

Total non-interest expense increased to $89.7 million during the second quarter of 2007 from $39.9 million for the second quarter of 2006. For the six months ended June 30, 2007, total non-interest expense increased to $141.0 million from $88.8 million for the comparable period in 2006.

The primary drivers of the increase in other non-interest expense were the increases in compensation and all other non-interest expenses during the second quarter of 2007.

Compensation expense increased to $52.8 million in the second quarter of 2007 from $25.8 million in the second quarter of 2006. The increase was attributable in part to one-time termination costs related to both residential and

commercial real estate loan origination and related support staff of $9.9 million. In addition, expenses related to the Company s SERP and EBP plans and other non qualified retirement plans were $17.1 million higher in the second quarter of 2007 versus 2006 due primarily to changes in the Company s stock price during the respective periods.

All other non-interest expense increased to $32.8 million in the second quarter of 2007 from $10.7 million in the second quarter of 2006. As indicated in the table below, this increase in 2007 was primarily due to higher legal and professional fees, net expenses incurred on REO (versus a net gain in 2006) and an increase in all other costs that included $16.7 million in additional expenses related to FDIC examinations. Legal and professional fees increased during the period in part due to costs related to compliance with the Order, the sale of the commercial real estate lending business and related loan portfolio to *i*Star, the transaction with Gerald J. Ford and the potential sale of the Company s sub-prime residential loan servicing platform and other assets.

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Other non-interest expense categories for the second quarter and six months ended June 30, 2007 and 2006 are summarized below.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Thousands of dollars)	2007	2006	2007	2006
Legal, professional and other outside services	**$ 11,452**	$ 5,978	**$ 21,510**	$ 11,116
Information technology	**2,841**	4,334	**6,572**	7,424
Printing, supplies and postage	**691**	1,323	**1,326**	2,632
Advertising and promotion	**1,057**	1,208	**3,113**	3,587
Auto and travel	**766**	1,284	**1,943**	2,304
Leasing and loan expense	**900**	206	**1,340**	448
Net real estate owned expenses	**166**	(8,159)	**249**	(6,967)
Telephone	**867**	748	**1,600**	1,402
All other	**14,084**	3,779	**19,038**	7,579
Total other expenses	**$ 32,824**	$ 10,701	**$ 56,691**	$ 29,525

Income Taxes

Income tax benefit was $7.4 million on a loss from continuing operations of $19.5 million for the second quarter of 2007, compared to income tax expense of $13.0 million on income from continuing operations of $32.7 million for the second quarter of 2006.

For the six months ended June 30, 2007, income tax expense was $2.8 million on income from continuing operations of $2.9 million, compared to income tax expense of $22.6 million on income from continuing operations of $56.6 million for the comparable period in 2006.

The effective tax rate for 2007 and 2006 is different than the Federal enacted tax rate of 35% due mainly to various apportioned state income tax provisions and for 2007, a $1.4 million adjustment to deferred taxes.

Discontinued Operations

As more fully described in Note 1 of Notes to Consolidated Financial Statements, in the first quarter of 2007, the Company decided to exit the residential real estate business and to sell substantially all of the assets related to such business. In accordance with accounting principles generally accepted in the United States, income after taxes from discontinued operations and the net loss on disposal of discontinued operations are reported in the consolidated statements of operations after income from continuing operations for all periods presented.

The loss from discontinued operations, net of income taxes, was $253.0 million for the second quarter of 2007, representing a $3.29 diluted loss per share, compared to income from discontinued operations, net of income taxes, of $32.2 million, or $0.42 diluted income per share for the second quarter of 2006. During the first six months of 2007, the loss from discontinued operations, net of income taxes, was $855.9 million, representing a $11.10 diluted loss per share, compared to income from discontinued operations, net of income taxes, of $49.6 million, or $0.65 diluted income per share for the comparable period in 2006.

During the second quarter of 2007, the Company recorded a realized loss of $246.3 million related to the sale of $4.32 billion of residential real estate loans held for sale. During the six months ended June 30, 2007, the Company recognized a loss of $877.0 million related to the sale of $8.51 billion of residential real estate loans held for sale. Expense provisions related to the residential real estate loan valuation, repurchase and premium recapture reserves are included in this loss. In addition, during the first six months of 2007, the Company recognized a $38.8 million adjustment to write down the carrying value of the residential real estate held for sale assets to their estimated fair value less costs to sell.

During the second quarters of 2007 and 2006, the Company recognized $56.6 million and $133.8 million, respectively, in interest income on the residential real estate loan portfolio. During the six months ended June 30, 2007 and 2006, the Company recognized $186.5 million and $273.5 million, respectively, in interest income on the residential real estate loan portfolio.

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During the second quarter of 2007, the Company continued to service residential real estate loans, recognizing loan servicing income of $30.8 million, as compared to $23.5 million during the second quarter of 2006. During the six months ended June 30, 2007 and 2006, the Company recognized $63.7 million and $44.8 million, respectively, in loan servicing income. The Company was servicing on a to maturity basis $18.83 billion and $18.12 billion in principal balance of loans as of June 30, 2007 and December 31, 2006, respectively.

The loss from discontinued operations for the six months ended June 30, 2007 includes a $5.3 million charge for one time severance payments paid to employees of the residential real estate loan origination operations and related support staff. In addition, the Company recorded a $10.7 million charge for lease termination costs related to the Company s residential real estate loan origination offices. For further information concerning the results of operations from the discontinued operations see Note 4 of Notes to Consolidated Financial Statements.

During the six months ended June 30, 2007, cash flows related to residential real estate loan originations and proceeds realized on the sale of such loans were $3.89 billion and $7.86 billion, respectively, and during the six months ended June 30, 2006, such cash flows were $18.08 billion and $17.15 billion, respectively. These amounts are included in cash flows from operating activities in the Company s consolidated statements of cash flows.

Review of Financial Condition

Commercial Real Estate Loans Held for Sale

As more fully described in Note 1 of Notes to Consolidated Financial Statements, on July 2, 2007 the Company completed the sale of its entire $6.27 billion commercial real estate loan portfolio to *i*Star, and received cash of $1.89 billion and a 70% participation interest of $4.21 billion in the loans sold. Due to the Company s decision to sell the commercial real estate loan portfolio in the first quarter of 2007, the Company reclassified the portfolio from held for investment to held for sale. The following discussion is qualified in its entirety by such determination.

The Company s commercial real estate loans held for sale before the carrying value adjustment/allowance for loan loss was approximately $6.22 billion at June 30, 2007, as compared to $6.49 billion at December 31, 2006. Commercial real estate loan participations to other financial institutions or investors were $642.5 million and $202.0 million as of June 30, 2007 and December 31, 2006, respectively.

The following table provides additional information related to the Company s commercial real estate non-accrual loans, foreclosed assets, delinquencies, restructured loans on accrual status and accruing loans past due 90 days or more as of the dates indicated.

		June 30,		December 31,
(Thousands of dollars, except percents)		2007		2006
Non-accrual loans held for sale	**$**	**946,662**	$	1,110,965
Real estate owned / foreclosed assets	**$**	**65,833**	$	299
Accruing loans receivable past due 90 days or more	**$**		$	
Restructured loans on accrual status	**$**		$	

Delinquent loans 60 days past due or greater	**$**	**370,218**	$	98,747
Non-accrual loans to loans held for sale		**15.23%**		17.12%

The level of non-performing assets fluctuates and specific loans can have a material impact upon the total. Consideration must be given that, due to the secured nature of the Company s loans and the presence of larger-balance loans, the classification, and the timing thereof, of an individual loan as non-accrual or REO can have a significant impact upon the level of total non-performing assets, without necessarily a commensurate increase in loss exposure.

Assets and Liabilities of Discontinued Operations
For additional information concerning the Company s assets and liabilities related to its discontinued operations, see Note 4 of Notes to Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES
The Company s commercial lending activities were financed primarily through deposit accounts offered by FIL and which are insured by the FDIC. FIL offers certificates of deposit and savings and money market deposit accounts (insured by the FDIC to the legal maximum) through its 22 branches in California. FIL minimizes the costs associated with its deposit operations by not offering traditional checking, safe deposit boxes, ATM access and other traditional retail services. Deposits totaled $9.68 billion at June 30, 2007 and are summarized as to type as follows:

(Thousands of dollars)	Number of Accounts		Deposits
Savings and money market deposit accounts	**39,393**	$	1,677,440
Certificates of deposit:			
Retail	**139,505**		6,723,778
Brokered	**N/M**		1,279,927
Total deposits		$	9,681,145

N/M = not meaningful

During the first six months of 2007, additional financing was available to FIL through advances from the FHLB. FIL s credit line with the FHLB had a maximum financing availability that was based on a percentage of FIL s regulatory assets, to which the actual borrowing capacity was subject to collateralization and certain collateral sublimits and eligibility limitations. In March 2007, following the issuance of the Order and the Company s exit from the residential real estate lending business, the FHLB limited FIL s borrowing capacity to existing outstanding debt of $3.67 billion. By March 31, 2007, FIL had utilized $2.30 billion in proceeds from loan sales and $618.0 million in debt from a warehouse lending facility to reduce the outstanding FHLB debt to $800.0 million. As of June 30, 2007, outstanding FHLB debt was zero and all pledged collateral was released by the FHLB to FIL. FIL does not currently maintain pledged collateral with the FHLB.

In the first quarter of 2007, FIL pledged eligible commercial real estate loans to the Federal Reserve Bank of San Francisco under the Primary Credit program (the Program). There was no outstanding debt at any time during 2007 under the Program. In June 2007, in anticipation of the *i*Star Transaction, FIL removed all commercial real estate loans pledged as collateral under the Program. As of June 30, 2007, FIL did not maintain any pledged collateral with the Federal Reserve Bank. FIL does not currently maintain pledged collateral with the Federal Reserve Bank.

In the first quarter of 2007, in connection with the Company s exit from the residential real estate lending business, FIL mutually terminated two of four existing warehouse financing lines and elected to allow one financing facility to expire. As of March 31, 2007, outstanding debt on the remaining warehouse facility was $618.1 million. On April 30, 2007 all outstanding debt on this facility was repaid. In June 2007, the remaining warehouse financing facility expired. As of June 30, 2007, FIL did not have any warehouse financing lines.

As of June 30, 2007, the Company s liquidity position was comprised of cash and high grade short term investments totaling $3.23 billion. To ensure that these funds remain a source of short term liquidity the Company currently

anticipates that the composition of cash and short term investments will be predominantly invested in cash, cash equivalents and short-term U.S. government and agency securities.

As of March 31 and June 30, 2007, the Company s capital position was adversely impacted by the operating losses as further described above. Due to these losses, the potential impact of ongoing restructuring efforts on earnings, the adverse market conditions described above and the terms of the Order, the Company has limited access to capital at this time. The Company has submitted a capital plan to the FDIC as required by the Order.

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During 2006 and 2005, FIL had transferred by dividend certain of its residual interests in securitized loans to FGCC. The residual interests at FGCC as of June 30, 2007, had an estimated fair value of $11.4 million. The purpose of these dividends was to create an additional source of cash flow to Fremont General to the extent of cash received from the residual interests.

There exist certain Federal Income Tax and California Franchise Tax matters pending resolution, of which Fremont General is not yet able to make a determination of their ultimate liability, if any, but does not believe that the actual outcomes of these matters will adversely impact its liquidity or earnings. It is expected that the final resolution of these matters may take several years.

The Company s ability to access the capital markets is very limited as a result of the factors described herein. If it were able to access capital, it would likely be with disadvantageous conditions and pricing reflecting current factors.

Fremont General has cash and cash equivalents of $56.8 million as of June 30, 2007 and no debt maturities until March of 2009.

OFF-BALANCE SHEET ACTIVITIES

Prior to 2007, the Company securitized a certain amount of its residential real estate loans. Securitization was a process of transforming the loans into securities sold to investors. The loans were first sold to a special purpose corporation, which then transferred them to a qualifying special-purpose entity (a QSPE) which was legally isolated from the Company. The QSPE, in turn, issued interest-bearing securities, commonly known as asset-backed securities, that were secured by the future cash flows to be derived from the securitized loans. The QSPE used the proceeds from the issuance of the securities to pay the purchase price of the securitized loans.

The investors and the QSPEs do not have any recourse to the Company if the cash flows generated by the securitized loans are inadequate to service the securities issued by the QSPEs. At the close of each securitization, the Company removed from its balance sheet the carrying value of the loans securitized and added to its balance sheet the estimated fair value of the assets obtained in consideration for the loans which generally included the cash received (net of transaction expenses), retained junior class securities (referred to as residual interests) and mortgage servicing rights.

FORWARD LOOKING STATEMENTS

This report may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements and the currently reported results are based upon our current expectations and beliefs concerning future developments and their potential effects upon us. These statements and our results reported herein are not guarantees of future performance or results and there can be no assurance that actual developments and economic performance will be as anticipated by us. Actual developments and/or results may differ significantly and adversely from our expected or currently reported results as a result of significant risks, uncertainties and factors, often beyond our control (as well as the various assumptions utilized in determining our expectations), and which include, but are not limited to, the following:

the impact of the Company s withdrawal from the sub-prime residential real estate mortgage loan origination business;

the impact of the sale of FIL s commercial real estate lending business and related loan portfolio;

the uncertainty of the closing of an investment in FIL or Fremont General by an entity controlled by Gerald J. Ford and the ability of the Company to enter into any alternative transactions;

the ability of the Company to enter into new lending businesses;

the variability of general and specific economic conditions and trends, and changes in, and the level of, interest rates;

the impact of competition and pricing environments on deposit products;

the ability to access the necessary capital resources in a cost-effective manner to fund our operations;

our ability to sell our existing residential real estate loans held for sale and the prices obtained for such loans;

our ability to realize the full principal amount of the participation interest in the commercial real estate loan portfolio sold to iStar;

the impact of changes in the commercial real estate markets, in particular the housing market, and changes in the fair values of our assets and loans, including the value of the underlying real estate collateral;

the ability to service, collect and realize the amounts outstanding, and the timing thereof, of loans and foreclosed real estate;

the ability to appropriately estimate an adequate level for the valuation reserve for loans held for sale, the loan repurchase reserve and the premium recapture reserve, as well as the fair value of the retained mortgage servicing rights and residual interests in securitizations;

changes in various economic and other factors which influence the timing and ultimate realization of the cash flows supporting our estimate of fair value for our residual interests in securitized loans and mortgage servicing rights;

the effect of certain determinations or actions taken by, or the inability to secure regulatory approvals from, the Federal Deposit Insurance Corporation, the Department of Financial Institutions of the State of California or other regulatory bodies on various matters;

the impact of the Order on the Company s ability to conduct its business;

our ability to maintain cash flow, including at the Fremont General level, sufficient for us to meet our debt service and other obligations;

the ability to maintain effective compliance with laws and regulations and control expenses;

the impact and cost of adverse state and federal legislation and regulations, litigation, court decisions and changes in the judicial or regulatory climate;

the impact of changes in federal and state tax laws and interpretations, including tax rate changes, and the effect of any adverse outcomes from the resolution of issues with taxing authorities;

the ability to maintain an effective system of internal and financial disclosure controls, and to identify and remediate any control deficiencies, under the requirements of Section 404 of the Sarbanes-Oxley Act of 2002; and

other events, risks and uncertainties discussed elsewhere in this Form 10-Q and from time to time in our other reports, press releases and filings with the Securities and Exchange Commission.

We undertake no obligation to publicly update such forward-looking statements.

Item 3. *Quantitative And Qualitative Disclosures About Market Risk*

MARKET RISK

The Company is subject to market risk resulting primarily from the impact of fluctuations in interest rates upon balance sheet financial instruments such as loans, residual interests, mortgage servicing rights, debt and derivatives. Changes in interest rates can affect loan interest income, gains or losses on the sale of residential real estate loans, interest expense, net investment income and total stockholders equity. The level of gain or loss on the sale of residential real estate loans is highly dependent upon the premium paid by the purchasers of such loans. Each of these factors, in turn, are highly dependent upon changes in, and the level of, interest rates and other economic factors. The Company may experience a decrease in the amount of gain it realizes should significant interest rate volatility occur or if other economic factors have a negative impact on the value of the loans. The objective of the asset and liability management activities is to provide an acceptable level of net interest and investment income and to seek cost effective sources of capital, while maintaining acceptable levels of interest rate and liquidity risk. There is no exposure to foreign currency or commodity price risk.

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The Company is subject to interest rate risk resulting from differences between the rates on, and repricing characteristics of, interest-earning loans held for sale and the rates on, and repricing characteristics of, interest-bearing liabilities used to finance these loans such as deposits and debt. Interest rate gaps may arise when assets are funded with liabilities having different repricing intervals or different market indices to which the instruments interest rate is tied and to this degree, earnings will be sensitive to interest rate changes. Additionally, interest rate gaps could develop between the market rate and the interest rate on loans in the loan portfolio, which could result in borrowers prepaying their loan obligations. The Company attempts to match the characteristics of interest rate sensitive assets and liabilities to minimize the effect of fluctuations in interest rates. For the Company s financial instruments, the expected maturity date does not necessarily reflect the net market risk exposure because certain instruments are subject to interest rate changes before expected maturity.

The Company is reliant upon the secondary mortgage market for execution of its whole loan sales of residential real estate loans. While the Company strives to maintain adequate levels of liquidity support and capital to withstand certain disruptions in the secondary mortgage market, a significant disruption or change in the level of demand could lead to reduced gains (or higher losses) on sale and a corresponding decrease in revenue and earnings. A deterioration in performance of the residential real estate loans after being sold in whole loan sales could adversely impact the availability and pricing of such future transactions.

Quantitative and qualitative disclosures about the Company s market risk are included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Item 4. *Controls And Procedures*

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of June 30, 2007, the Company evaluated the effectiveness of the design and operation of the Company s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the Exchange Act). The management of Fremont General is responsible for establishing and maintaining adequate internal controls over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Because of its inherent limitations, internal control over financial reporting may not prevent or detect all error and all fraud. All internal control systems, regardless of how well designed and operated, can only provide reasonable, not absolute, assurance with respect to financial statement preparation and presentation.

The evaluation was performed under the supervision and with the participation of the Company s management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO). Based on that evaluation, the Company s management, including the CEO and CFO, concluded that the Company s disclosure controls and procedures were not effective to insure that information required to be disclosed by the Company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission s rules and forms and is accumulated and communicated to the Company s management, including its CEO and CFO, as appropriate to allow timely decisions regarding the required disclosure, because of the material weaknesses described below:

The Company s management concluded that material weaknesses existed in its internal control over financial reporting as of June 30, 2007. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. As previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (2006 Annual Report) under Item 9A Controls and Procedures, the following two material weaknesses were identified:

As of June 30, 2007, March 31, 2007 and December 31, 2006, we did not maintain effective operation of internal control over the application of accounting principles generally accepted in the United States of America, resulting in material adjustments to the Company s preliminary annual consolidated financial statements for the year ended December 31, 2006. Specifically, the Company misapplied the application of subsequent event accounting literature to its residential real estate loans held for sale, residual interests in securitized assets, and repurchase reserves as of December 31, 2006. This misapplication resulted in net understatement of loss on sale in the preliminary consolidated financial statements of approximately $34.8 million and a net understatement of impairment of retained residual interests of approximately

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$25.6 million. These adjustments are properly reflected in the Company s consolidated financial statements in its 2006 Annual Report. The adjustments are properly included in the Company s consolidated financial statements in its Quarterly Reports on Form 10-Q for the three months ended March 31, 2007 and for the six months ended June 30, 2007.

As of June 30, 2007, March 31, 2007 and December 31, 2006, we did not maintain effective monitoring controls over the Company s commercial real estate business. Specifically, the following deficiencies were noted:

- The grading of some commercial loans were not consistent with the Company s loan grading guidelines; and
- the valuation methodology used for collateral dependant loans was inappropriate.

As a result, there was an understatement of the allowance for loan loss in the preliminary consolidated financial statements as of December 31, 2006 of approximately $35.7 million. This adjustment to the allowance for loan loss is properly reflected in the Company s consolidated financial statements in its 2006 Annual Report.

The Company believes that its consolidated financial statements included in this Quarterly Report on Form 10-Q for the six months ended June 30, 2007 fairly present, in all material respects, the Company s financial condition, results of operations and cash flows as of, and for, the periods presented.

REMEDIATION OF MATERIAL WEAKNESSES

As more fully described in the Company s 2006 Annual Report, Part I Item 1 Business, on July 2, 2007, the Company completed the sale of its commercial real estate lending business and related $6.27 billion loan portfolio to iStar. The material weakness as of June 30, 2007, March 31, 2007 and December 31, 2006 related to monitoring controls was isolated to the commercial real estate business. The Company has discussed this material weakness with Squar, Milner, Peterson, Miranda & Williamson, LLP, the Company s independent registered public accounting firm, and the Company has concluded that this material weakness has been fully remediated by the sale of its commercial real estate lending business and related $6.27 billion loan portfolio in the third quarter of 2007.

The Company has also fully remediated the material weakness related to the misapplication of subsequent event accounting literature, as management increased training and education related to proper accounting treatment for subsequent events. This was completed in the third quarter of 2007.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Except as otherwise discussed herein, there have been no changes in the Company s internal controls over financial reporting that have occurred since the beginning of the second fiscal quarter of 2007 that have materially affected, or are reasonably likely to material affect, the Company s internal controls over financial reporting.

PART II OTHER INFORMATION

Item 1. *Legal Proceedings*

The Company is a defendant in a number of legal actions or regulatory proceedings arising in the ordinary course of business, from the discontinuance of the insurance operations and from regulatory examinations conducted by the FDIC and the DFI.

Enron Corp., Et Al V. J.P. Morgan Securities, Et Al:
In November 2003, the Trustee for Enron Corporation filed voidable preference and fraudulent conveyance actions in the United States District Court for the Southern District of New York, Case No. 03-92677, seeking return of money from the Company for the redemption of Enron commercial paper prior to maturity and during the preference period. The initial Complaint and First Amended Complaint alleged Enron redeemed $5 million of its commercial paper from the Company. On February 14, 2007, Enron filed a Second Amended Complaint which revised the claim against the Company from $5 million to $25 million. This increase represents the $20 million Enron allegedly redeemed from the Company s former workers compensation insurance companies, now in liquidation. The Company does not believe there is any legal authority for a voidable preference or fraudulent conveyance against it for the alleged redemption of securities held by its subsidiaries. No trial date has been set. The case is currently in the discovery phase. The Company cannot predict the outcome and intends to vigorously defend against it.

The Bank of New York V. Fremont General Corporation:
In December 2003, The Bank of New York filed a complaint against the Company in the United States District Court for the Central District of California, Los Angeles Division, Case No. 03-9238, seeking return of approximately $14 million transferred from a custodial account with The Bank of New York when those sums were maintained as security for the Superintendent of the New York State Department of Insurance. The Bank of New York seeks return of those sums under a variety of theories. Trial has been completed in this matter resulting in a complete judgment for the Company. The Bank of New York appealed to the Ninth Circuit. Oral argument was heard on July 9, 2007. A decision by the Ninth Circuit is expected in the near future.

Fremont Indemnity Company (In Liquidation) V. Fremont General Corporation, Et Al:
On June 2, 2004, the State of California Insurance Commissioner (the Commissioner), as statutory liquidator of Fremont Indemnity Company (Fremont Indemnity), filed suit in Los Angeles Superior Court against the Company alleging it improper utilized certain net operating loss deductions (NOLs) allegedly belonging to Fremont Indemnity (the Fremont Indemnity Case). This complaint involves issues that were considered resolved in an agreement among the California Department of Insurance, Fremont Indemnity and the Company (the Letter Agreement). The Letter Agreement, dated July 2, 2002, was executed on behalf of the California Department of Insurance by the Honorable Harry Low, the State of California Insurance Commissioner at that time. The Company has honored all of its obligations under the Letter Agreement. On July 16, 2004, the Commissioner filed a First Amended Complaint (FAC) adding a cause of action for concealment of an alleged reinsurance dispute and is seeking to rescind the Letter Agreement.

On January 25, 2005, The Company s motions to dismiss the lawsuit brought by the Commissioner, on behalf of Fremont Indemnity, against the Company were argued and heard before the Superior Court of the State of California (the Court). On January 26, 2005, the Court issued its rulings dismissing all the causes of action in the FAC without leave to amend, except for the cause of action for alleged concealment by the Company of a potential reinsurance dispute, which was dismissed with leave to amend. The Court also found that the Company had properly utilized the NOLs in accordance with the Letter Agreement. In addition, the Court rejected the Commissioner s request for findings that the Company s use of the NOLs and worthless stock deduction were voidable preferences and/or fraudulent transfers. The Court also rejected the Commissioner s request for injunctive relief to force the Company to

amend its prior consolidated income tax returns to remove and forgo the worthless stock deduction for its investment in Fremont Indemnity.

On May 2, 2005, the Commissioner filed a Second Amended Complaint (SAC) with regard to the 7th cause of action on behalf of Fremont Indemnity against the Company alleging intentional misrepresentation, concealment and promissory fraud, which induced the Commissioner to first enter into the Letter

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Agreement. On July 15, 2005, the Court dismissed the SAC with 20 days leave to amend. On August 4, 2005, the Commissioner filed a Third Amended Complaint (TAC) again alleging intentional misrepresentation, concealment and promissory fraud.

On November 22, 2005, the Court dismissed the remaining cause of action in the TAC, finding that the Plaintiff still failed to plead any affirmative misrepresentation which is actionable. The Court also found that the pleading is inadequate as to damage allegations. This ruling by the Court dismissed the only remaining cause of action in the lawsuit originally brought by the Commissioner on behalf of Fremont Indemnity against Fremont General, first reported on June 17, 2004.

On February 28, 2007, the Court of Appeal of the State of California reversed the trial court s dismissal and sent the case back to the trial court for further proceedings. The Company continues to believe that this lawsuit is without merit and intends to vigorously defend against it.

Fremont Indemnity Company (In Liquidation as Successor in Interest to Comstock Insurance Company) V. Fremont General Corporation, Et Al:
The Commissioner filed an additional and separate complaint against the Company on behalf of Fremont Indemnity as successor in interest to Comstock Insurance Company (Comstock), a former affiliate of Fremont Indemnity, which was subsequently merged into Fremont Indemnity. This case alleged similar causes of action regarding the usage of the NOLs as in the Fremont Indemnity Case as well as improper transactions with other insurance subsidiaries and affiliates of Fremont Indemnity. This matter was deemed a related case to the Fremont Indemnity case. On April 22, 2005, the Court dismissed, without leave to amend, the entire complaint. This ruling does not address or necessarily have legal effect on the related Fremont Indemnity case.

On February 28, 2007, the Court of Appeal of the State of California reversed the trial court s dismissal and sent the case back to the trial for further proceedings. The Company continues to believe that this lawsuit is without merit and intends to vigorously defend against it.

Gerling Global Reinsurance Corporation of America V. Fremont General Corporation, Et Al:
On July 27, 2005, Gerling Global Reinsurance Corporation of America (Gerling) filed a lawsuit in Federal District Court (the Court) against the Company arising out of a reinsurance treaty between Gerling and Fremont Indemnity alleging 1) Fraud/Intentional Misrepresentation and Concealment; 2) Breach of Fiduciary Duty; 3) Willful and Wanton Misconduct; 4) Negligent Misrepresentation; 5) Gross Negligence; 6) Tortuous Interference with Contract; 7) Unjust Enrichment; and 8) Breach of Contract for allegedly improper underwriting practices by Fremont Indemnity during 1998 and 1999. In October 2005, Gerling filed a First Amended Complaint (FAC) alleging 1) Fraud/Intentional Misrepresentation and Concealment; 2) Inducement to Breach and Breach of Fiduciary Duty and Duty of Utmost Good Faith; 3) Willful and Wanton Misconduct; 4) Negligent Misrepresentation; 5) Gross Negligence; 6) Tortuous Interference with Contract; 7) Unjust Enrichment; and 8) Inducement to Breach and Breach of Contract.

On December 12, 2005, the Company s Motion to Dismiss the FAC was argued and heard before the Court. On December 15, 2005, the Court issued its Order dismissing with prejudice Gerling s Third through Sixth Causes of Action, which asserted claims for Willful and Wanton Misconduct, Negligent Misrepresentation, Gross Negligence and Tortuous Interference with Contract, and also dismissed with prejudice that part of Gerling s Eighth Cause of Action that alleged Inducement to Breach of Contract. The Court also dismissed the Breach of Contract claim, but granted Gerling leave to replead that claim.

In January 2006, Gerling filed a Second Amended Complaint (SAC) alleging 1) Fraud/Intentional Misrepresentation and Concealment; 2) Breach of Fiduciary Duty and Duty of Utmost Good Faith; 3) Unjust Enrichment; and 4) Breach of Contract. On March 6, 2006, Fremont General s Motion to Dismiss this SAC were argued and heard before the

Court. On its own motion, the Court converted the Motion to Dismiss to a Motion for Summary Judgment and ordered that it be reset for hearing following limited discovery on the statute of limitations issues raised in the Motion.

On January 8, 2007, The Court heard oral argument on the Company s Motion for Summary Judgment. On January 11, 2007, the Court granted the Company s Motion thereby dismissing the case. On February 5, 2007, Gerling filed its Notice of Appeal. Initial briefs have been filed. A hearing date has not yet been set.

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Insurance Commissioner V. Rampino, Et Al:
On or about October 12, 2006, the California Insurance Commissioner, as Liquidator on behalf of Fremont Indemnity, filed a First Amended Complaint against certain former directors and officers of Fremont Indemnity for Breach of Fiduciary Duty. The Complaint alleges the defendant s breached their fiduciary duties by orchestrating and allowing Fremont Indemnity to engage in an inappropriate underwriting scheme that caused injury to Fremont Indemnity s reinsurers which in turn injured Fremont Indemnity by settlements it made with those reinsurers. The allegations in this complaint are substantially the same as those alleged by Gerling Global in its lawsuit. Although neither the Company nor any of its affiliates are defendants in this lawsuit, it is indemnifying and defending these directors and officers pursuant to the indemnification clause in Fremont General s bylaws. The case is currently in the discovery phase. Trial is currently scheduled to commence on April 14, 2008. The Company believes the lawsuit is without merit and intends to vigorously defend this matter.

Order to Cease & Desist:
As more fully described above, on March 7, 2007, Fremont General, FIL and FGCC consented to the Order issued by the FDIC without admitting to the allegations contained in the Order. The Order requires, among other things, that FIL make a variety of changes in its sub-prime residential loan origination business and also calls for certain changes in its commercial real estate lending business. In addition, the Order requires that FIL adopts a Capital Adequacy Plan to maintain adequate Tier 1 capital in relation to the risk profile of the Company. Further, the Order mandates various specific management requirements, including having and retaining qualified management acceptable to the FDIC and the DFI, and provides for enhanced regulatory oversight over FIL s operations.

The Company cannot predict the cost of compliance with the Order or the impact of the Order upon the Company s business, financial condition or results of operation.

ERISA Complaints:
In April through June of 2007, six complaints seeking class certification were filed in the United States District Court for the Central District of California against the Company and various officers, directors and employees by participants in the Company s Investment Incentive Plan (401(k) and Employee Stock Ownership Plan (collectively the Plans) alleging violations of the Employee Retirement Income Security Act of 1974, as amended (ERISA) in connection with Company stock held by the Plans. The six complaints have been consolidated in a single proceeding. This litigation is still in its early stages. No trial date has been set. The Company believes the lawsuit is without merit and intends to vigorously defend this matter.

Securities Complaints:
In September 2007, three separate complaints seeking class certification were filed in the United States District Court for the Central District of California against the Company and various officers and directors alleging violations of federal securities laws in connection with published statements by the Company regarding its loan portfolio and loans held for resale during the period from May 9, 2006 through February 27, 2007. Management expects these lawsuits will be consolidated into a single proceeding. This litigation is still in its early stages. No trial date has been set. The Company believes these lawsuits are without merit and intends to vigorously defend these matters.

NAACP Litigation:
On July 11, 2007, the National Association for the Advancement of Colored People filed a lawsuit seeking class certification in United States District Court, Central District of California, against FIL and several other large home mortgage loan originators, alleging discriminatory lending practices. The lawsuit seeks injunctive relief and attorney fees, but not monetary damages, to enjoin defendants from the alleged discriminatory practices and to modify their conduct to comport with the law. The lawsuit has not yet been served on FIL. The Company believes the lawsuit is without merit with respect to FIL and intends to defend against it vigorously should FIL be served.

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Massachusetts Attorney General Action:
In October 2007, the Office of the Attorney General of the Commonwealth of Massachusetts filed a lawsuit in Massachusetts Superior Court in Suffolk County on behalf of borrowers in Massachusetts, alleging that Fremont General and FIL engaged in unfair or deceptive practices in connection with the origination and servicing of residential mortgage loans. The complaint seeks injunctive relief, equitable relief for Massachusetts borrowers and civil penalties. The case is in its very early stages and the Company cannot predict the outcome or the effect it will have on its financial condition. However, the Company disagrees with the allegations in the lawsuit and intends to vigorously defend against it.

Item 1A. *Risk Factors*

We included a discussion of our Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2006. There has been no material change in such risks during the six months ended June 30, 2007.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased[1]	(b) Average Price Paid per Share (or Unit)[2]	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs[3]
April 1-30, 2007	**1,136**	**$ 7.10**	**1,136**	
May 1-31, 2007	**55,027**	**$ 12.73**	**55,027**	
June 1-30, 2007	**42,598**	**$ 12.24**	**42,598**	
TOTAL	**98,761**	**$ 12.45**	**98,761**	**1,425,628**

(1) Shares of common stock acquired by the Company through purchases of shares under certain employee benefit plans at fair value.

(2) The average price per share was $12.45 for the three months ended June 30, 2007.

(3) A repurchase program for four million shares was announced to the public on February 27, 2003, and a repurchase program for an additional four million shares was announced to the public on May 19, 2005.

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Item 6. *Exhibits*

Exhibit No.	Description
2.1	Asset Purchase Agreement, dated as of May 21, 2007, between Fremont Investment & Loan and iStar Financial Inc. (Incorporated by reference to Exhibit 2.1 to the Registrant s Current Report on Form 8-K filed on May 24, 2007, Commission File Number 001-08007)
3.1	Restated Articles of Incorporation of Fremont General Corporation. (Incorporated by reference to Exhibit 3.1 to the Registrant s Quarterly Report on Form 10-Q, for the period ended June 30, 1998, Commission File Number 001-08007)
3.2	Certificate of Amendment of Articles of Incorporation of Fremont General Corporation. (Incorporated by reference to Exhibit 3.2 to the Registrant s Annual Report on Form 10-K, for the fiscal year ended December 31, 1998, Commission File Number 001-08007)
3.3(a)	Amended and Restated By-Laws of Fremont General Corporation. (Incorporated by reference to Exhibit 3.3 to the Registrant s Annual Report on Form 10-K, for the fiscal year ended December 31, 1995, Commission File Number 001-08007)
3.3(b)	Fremont General Corporation Bylaw Amendment Adopted by the Board of Directors on November 20, 2003. (Incorporated by reference to Exhibit 3.3(b) to the Registrant s Annual Report on Form 10-K, for the fiscal year ended December 31, 2003, Commission File Number 001-08007)
3.3(c)	Fremont General Corporation Bylaw Amendment Adopted by the Board of Directors on March 16, 2004. (Incorporated by reference to Exhibit 3.3(c) to the Registrant s Quarterly Report on Form 10-Q, for the period ended June 30, 2004, Commission File Number 001-08007)
4.1	Form of Stock Certificate for Common Stock of the Registrant. (Incorporated by reference to Exhibit 4.1 to the Registrant s Annual Report on Form 10-K, for the fiscal year ended December 31, 2000, Commission File Number 001-08007)
4.2	Indenture with respect to the 9% Junior Subordinated Debentures among the Registrant, the Trust and Bank of New York (originated with First Interstate Bank of California), a New York Banking Corporation, as trustee. (Incorporated by reference to Exhibit 4.3 to the Registrant s Annual Report on Form 10-K, for the fiscal year ended December 31, 1995, Commission File Number 001-08007)
4.3	Amended and Restated Declaration of Trust with respect to the 9% Trust Originated Preferred Securities among the Registrant, the Regular Trustees, Bank of New York, a Delaware banking corporation, as Delaware trustee, and Bank of New York, N.A., a national banking association, as Institutional Trustee. (Incorporated by reference to Exhibit 4.5 to the Registrant s Annual Report on Form 10-K, for the fiscal year ended December 31, 1995, Commission File Number 001-08007)
4.4	Preferred Securities Guarantee Agreement between the Registrant and Bank of New York, N.A., a national banking association, as Preferred Guarantee Trustee. (Incorporated by reference to Exhibit 4.6 to the Registrant s Annual Report on Form 10-K, for the fiscal year ended December 31, 1995, Commission File Number 001-08007)
4.5	Common Securities Guarantee Agreement by the Registrant. (Incorporated by reference to Exhibit 4.7 to the Registrant s Annual Report on Form 10-K, for the fiscal year ended December 31, 1995, Commission File Number 001-08007)
4.6	Form of Preferred Securities. (Included in Exhibit 4.5). (Incorporated by reference to Exhibit 4.8 to the Registrant s Annual Report on Form 10-K, for the fiscal year ended December 31, 1995, Commission File Number 001-08007)
4.7	Form of Restricted Stock Agreement. (Incorporated by reference to Exhibit 4.2 to the Registrant s Registration Statement on Form S-8 filed on May 18, 2006, Registration Number 333-134236)

4.8	Form of Nonqualified Stock Option Agreement. (Incorporated by reference to Exhibit 4.3 to the Registrant s Registration Statement on Form S-8 filed on May 18, 2006, Registration Number 333-134236)
4.9	Investment Agreement, dated as of May 21, 2007, by and among the Registrant, Fremont Investment & Loan and Hunter s Glen/Ford, Ltd. (Incorporated by reference to Exhibit 4.1 to the Registrant s Current Report on Form 8-K filed on May 24, 2007, Commission File Number 001-08007)
4.10	Form of Exchange and Shareholder Rights Agreement. (Incorporated by reference to Exhibit 4.2 to the Registrant s Current Report on Form 8-K filed on May 24, 2007, Commission File Number 001-08007)
4.11	Form of Warrant. (Incorporated by reference to Exhibit 4.3 to the Registrant s Current Report on Form 8-K filed on May 24, 2007, Commission File Number 001-08007)
4.12	Form of Certificate of Determination. (Incorporated by reference to Exhibit 4.4 to the Registrant s Current Report on Form 8-K filed on May 24, 2007, Commission File Number 001-08007)
10.1(a)*	Employment Agreement between the Registrant and Alan W. Faigin dated April 11, 2007. (Incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed on April 17, 2007, Commission File Number 001-08007)
10.1(b)*	Letter Agreement between the Registrant and Alan W. Faigin dated April 2, 2007. (Incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed on August 28, 2007, Commission File Number 001-08007)
10.1(c)*	Letter Agreement Amendment between the Registrant and Alan W. Faigin dated August 27, 2007. (Incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed on August 28, 2007, Commission File Number 001-08007)
10.2*	Employment Agreement between the Registrant and Patrick E. Lamb dated April 11, 2007. (Incorporated by reference to Exhibit 10.2 to the Registrant s Current Report on Form 8-K filed on April 17, 2007, Commission File Number 001-08007)
10.3(a)*	Management Continuity Agreement among the Registrant, Fremont Investment & Loan and Ronald J. Nicolas, Jr. dated April 3, 2007. (Incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed on July 12, 2007, Commission File Number 001-08007)

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Exhibit No.	Description
10.3(b)*	Letter Agreement between Fremont Investment & Loan and Ronald J. Nicolas, Jr. dated April 3, 2007. (Incorporated by reference to Exhibit 10.2 to the Registrant s Current Report on Form 8-K filed on July 12, 2007, Commission File Number 001-08007)
10.3(c)*	Letter Agreement between the Registrant and Ronald J. Nicolas, Jr. dated August 27, 2007. (Incorporate by reference to Exhibit 10.2 to the Registrant s Current Report on Form 8-K filed on August 28, 2007, Commission File Number 001-08007)
10.4	Form of Loan Participation Agreement. (Incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K filed on May 24, 2007, Commission File Number 001-08007)
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management or compensatory plans or arrangements. With respect to long-term debt instruments, the Registrant undertakes to provide copies of such agreements upon request by the Commission.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	FREMONT GENERAL CORPORATION
Date: October 8, 2007	/s/ LOUIS J. RAMPINO
	Louis J. Rampino *President and Chief Executive Officer*
Date: October 8, 2007	/s/ RONALD J. NICOLAS, JR.
	Ronald J. Nicolas, Jr. *Senior Vice President, Chief Financial Officer, Chief Accounting Officer and Treasurer* (Principal Accounting Officer)