

FREMONT GENERAL CORP  
Form 11-K  
June 28, 2004

As filed with the Securities and Exchange Commission on June 28, 2004

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NO. 1-8007

A. Full title of the plan and the address of the plan, if different from that of  
the issuer named below:

FREMONT GENERAL CORPORATION  
AND AFFILIATED COMPANIES  
INVESTMENT INCENTIVE PLAN

B. Name of issuer of the securities held pursuant to the plan and the address  
of its principal executive office:

FREMONT GENERAL CORPORATION  
2020 SANTA MONICA BOULEVARD  
SANTA MONICA, CALIFORNIA 90404  
(310) 315-5500

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FINANCIAL STATEMENTS

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The Fremont General Corporation and Affiliated Companies Investment Incentive Plan ("Plan") is subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Therefore, in lieu of the requirements of Items 1-3 of Form 11-K, the financial statements and schedules of the Plan for the two fiscal years ended December 31, 2003 and 2002, which have been prepared in accordance with the financial reporting requirements of ERISA, are attached hereto and incorporated herein by reference.

EXHIBIT NO. -----	DESCRIPTION -----
23	Consent of Independent Registered Public Accounting Firm.

AUDITED FINANCIAL STATEMENTS

AND SUPPLEMENTAL SCHEDULES

FREMONT GENERAL CORPORATION AND AFFILIATED COMPANIES INVESTMENT INCENTIVE PLAN

YEARS ENDED DECEMBER 31, 2003 AND 2002

WITH REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

FREMONT GENERAL CORPORATION AND AFFILIATED COMPANIES  
INVESTMENT INCENTIVE PLAN

AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES

YEARS ENDED DECEMBER 31, 2003 AND 2002

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

FREMONT GENERAL CORPORATION AND AFFILIATED COMPANIES INVESTMENT INCENTIVE PLAN

We have audited the accompanying statements of net assets available for benefits of the Fremont General Corporation and Affiliated Companies Investment Incentive Plan (the "Plan") as of December 31, 2003 and 2002, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2003 and 2002, and the changes in its net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of assets (held at end of year) as of December 31, 2003, and reportable transactions for the year then ended, are presented for purposes of additional analysis and are not a required part of the financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

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Los Angeles, California  
June 11, 2004

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FREMONT GENERAL CORPORATION AND AFFILIATED COMPANIES  
INVESTMENT INCENTIVE PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	DECEMBER 2003 -----
Investments, at fair value .....	\$ 137,466,418
Interest and dividends receivable .....	52,483
Other assets .....	164,735
	-----
Net assets available for benefits .....	\$ 137,683,636 =====

See accompanying notes.

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FREMONT GENERAL CORPORATION AND AFFILIATED COMPANIES  
INVESTMENT INCENTIVE PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

YEAR ENDED D  
2003  
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ADDITIONS (DEDUCTIONS)

Contributions:

Employee .....	\$ 8,953,209
Employer .....	6,838,670
Interest and dividends .....	2,097,440
Net appreciation (depreciation) in fair value of investments .....	67,494,551
Net benefit distributions to participants .....	(15,217,006)
	-----
Net increase (decrease) .....	70,166,864
Net assets available for benefits at beginning of year .....	67,516,772
	-----
Net assets available for benefits at end of year .....	\$ 137,683,636
	=====

See accompanying notes.

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FREMONT GENERAL CORPORATION AND AFFILIATED COMPANIES  
INVESTMENT INCENTIVE PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

1. DESCRIPTION OF THE PLAN

The following description of the Fremont General Corporation and Affiliated Companies Investment Incentive Plan (the "Plan") provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions. In the case of any inconsistency between this document and the Plan document, the Plan document shall prevail.

GENERAL

The Plan is a defined contribution 401(k) plan that commenced on February 1, 1986, and covers eligible employees of Fremont General Corporation ("FGC") and subsidiaries (collectively, the "Company"). An eligible employee who is employed by the Company may elect to make salary deferral 401(k) contributions as soon as administratively feasible following his or her employment date.

CONTRIBUTIONS

Eligible employees may contribute up to 15% of their pretax eligible compensation. Effective January 1, 2003, the Company began matching 100% of the first 6% of eligible compensation contributed by the participant. During 2002, the comparable matching contribution was 85%. Officers participate in the Plan on the same basis as all other employees. The Company also may elect to make an additional discretionary contribution. Discretionary employer contributions are

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allocated to participants in proportion to their compensation. No discretionary employer contributions were made in 2003 and 2002.

### PARTICIPANT ACCOUNTS

Each participant's account is credited with the participant's contributions and allocations of (a) the Company's contributions and (b) Plan earnings or losses. Allocations are based on participants' eligible compensation or, in the case of investment earnings or losses, account balances. Forfeited balances of nonvested accounts are used to reduce the Company's matching contributions in future periods.

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## FREMONT GENERAL CORPORATION AND AFFILIATED COMPANIES INVESTMENT INCENTIVE PLAN

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### 1. DESCRIPTION OF THE PLAN (CONTINUED)

##### VESTING

Participants' salary deferral 401(k) contributions and allocated earnings or losses thereon are 100% vested at all times. Effective January 1, 2003, all Company matching and discretionary contributions became fully vested to participants that were active employees on or after January 1, 2003. Inactive participants as of January 1, 2003 were subject to the vesting schedule in effect at December 31, 2002.

##### DISTRIBUTIONS

Distributions of account balances may be made to participants under the following circumstances; termination of employment, attainment of age 59 1/2, retirement, as required for minimum distribution or pursuant to court order, or, to the designated beneficiary following a participant's death. Participants may make withdrawals from their account balances in the event of hardship for the following circumstances: expenses to avoid eviction or foreclosure of their principal residence, extraordinary uninsured medical expenses for the participants or their dependents, tuition and related educational expenses for post-secondary education for the following 12 months for the participants or their dependents, and costs relating to the purchase of a principal residence.

##### PARTICIPANTS' LOANS

Participants may borrow from their account balance based on the balance at the close of business of the prior day. Interest is fixed for the term of the loan. An approved loan must be repaid fully within a minimum of 12 months to a maximum of 60 months. A transaction fee of \$40 is required from the participant upon loan issuance.

##### AMENDMENT AND/OR TERMINATION

Although it has not expressed any intent to do so, the Company has the right to

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terminate the Plan at any time for any reason. The Company also reserves the right to amend the Plan at any time for any reason with or without advance notice (unless required by law) in accordance with the procedures set forth in the Plan document.

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### 2. SUMMARY OF ACCOUNTING POLICIES

#### USE OF ESTIMATES

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### VALUATION OF INVESTMENTS

All assets of the Plan are held by Merrill Lynch Trust Company, FSB ("Merrill Lynch").

Investments in mutual funds are stated at current net asset value, which approximates fair value. The funds' net asset values are determined by Merrill Lynch. FGC Common Stock is stated at current market value as determined by the Plan Administrator based on the closing price on the New York Stock Exchange. The closing price of FGC Common Stock on December 31, 2003, was \$16.91 per share (\$4.49 per share at December 31, 2002).

#### INVESTMENT INCOME

Interest and dividends are recorded on the accrual basis.

Realized investment gains and losses are determined using the specific-identification basis.

#### INCOME TAX STATUS

The Plan received a determination letter from the Internal Revenue Service dated January 8, 2002, stating that the Plan is qualified, in form, under Section 401(a) of the Internal Revenue Code (the "Code") and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan was amended subsequent to receiving the determination letter. The Plan Administrator believes that the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax exempt.

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### 2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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EXPENSES

All administrative expenses of the Plan are paid by the Company. The Plan utilizes office space provided by the Company for which it pays no rent.

BENEFIT PAYMENTS

Benefit distributions to participants are recorded in the period in which the distributions are paid. Distributions payable at December 31, 2003 and 2002, were \$181,492 and \$68,818, respectively.

FORFEITURES

The balance of amounts forfeited by nonvested accounts of inactive participants at December 31, 2003, was \$423,295. These forfeitures will be used to reduce employer matching contributions in future periods.

3. INVESTMENTS

During 2003 and 2002, the Plan's investments (including investments purchased, sold as well as held during the year) appreciated (depreciated) in fair value as follows:

	YEAR ENDED D 2003 -----
FGC Common Stock .....	\$ 59,809,486
Mutual funds .....	7,685,065
	-----
	\$ 67,494,551
	=====

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3. INVESTMENTS (CONTINUED)

Investments that represent 5% or more of the fair value of the Plan's assets are as follows:

DECEMBE  
2003  
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FGC Common Stock*	\$ 77,347,574
Mutual Funds:	
Merrill Lynch Fundamental Growth Fund	7,934,640
Merrill Lynch Core Bond Fund**	**
Merrill Lynch Basic Value Fund**	**
Merrill Lynch Retirement Preservation Fund	17,190,788

\* Nonparticipant-directed

\*\* Balance is less than 5% of the Plan's net assets at December 31, 2003

4. NONPARTICIPANT-DIRECTED INVESTMENTS

For reporting purposes, nonparticipant-directed investments include participant-directed investments that cannot be separately determined; however, all investments can be reallocated at the participants' discretion.

Information about the net assets and the significant components of the changes in net assets relating to the nonparticipant-directed investments is as follows:

	DECEMBER 2003 -----
FGC Common Stock	\$ 77,347,574

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4. NONPARTICIPANT-DIRECTED INVESTMENTS (CONTINUED)

	YEAR ENDED 2003 -----
Change in net assets:-	
Contributions	\$ 8,480,186
Interest and dividends	702,925
Net appreciation (depreciation) in fair value of investments	59,809,486
Net transfers to participant-directed investments	(8,268,976)
Benefit distributions to participants	(5,514,766)

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Total ..... \$ 55,208,855  
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5. RELATED PARTY TRANSACTIONS

Certain Plan investments are units of mutual funds and common/collective trust funds managed by Merrill Lynch, the trustee as defined by the Plan. Participants also have the option to invest in FGC Common Stock. At the Company's discretion, the investments in FGC common stock may be funded from the Company's employee benefits trust. The Company's employee benefits trust is also maintained with Merrill Lynch. These transactions qualify as party-in-interest transactions.

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SUPPLEMENTAL SCHEDULES

FREMONT GENERAL CORPORATION AND AFFILIATED COMPANIES  
INVESTMENT INCENTIVE PLAN  
EIN 95-2815260 PLAN NO. 003

SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

DECEMBER 31, 2003

IDENTITY OF ISSUE, BORROWER, LESSOR OR SIMILAR PARTY	DESCRIPTION OF INVESTMENT, INCLUDING MATURITY DATE, RATE OF INTEREST, PAR OR MATURITY VALUE	COST
-----		
Merrill Lynch*		
Fundamental Growth Fund	497,145 Units	\$ **
Global Allocation Fund	271,330 Units	**
Core Bond Fund	430,924 Units	**
Balanced Capital Fund	121,047 Units	**
Basic Value Fund	212,854 Units	**
S&P 500 Index Fund	376,930 Units	**
International Index Fund	141,203 Units	**

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Retirement Preservation Fund	17,190,788 Units	**
Small Cap Value Fund	65,160 Units	**
Oppenheimer Quest Balance Value Fund	205,211 Units	**
State Street Aurora Fund	60,502 Units	**
Fremont General Corporation*	4,574,073 shares of common stock	32,448,658
Participants' loans*	Interest at the prime rate plus 2%	

\*Indicates a party-in-interest to the Plan.

\*\*Cost information is not necessary as investment is participant directed.

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FREMONT GENERAL CORPORATION AND AFFILIATED COMPANIES  
INVESTMENT INCENTIVE PLAN  
EIN 95-2815260 PLAN NO. 003

SCHEDULE H, LINE 4j - SCHEDULE OF REPORTABLE TRANSACTIONS

YEAR ENDED DECEMBER 31, 2003

IDENTITY OF PARTY INVOLVED	DESCRIPTION OF ASSETS	PURCHASE PRICE	SELLING PRICE	EXPENSES INCURRED WITH TRANSACTION	COST OF ASSET
CATEGORY (III) - A SERIES OF TRANSACTIONS IN EXCESS OF 5% OF PLAN ASSETS					
Fremont General Corporation*	Common Stock	\$ 8,311,820	\$ -	\$ -	\$ 8,311,820
Fremont General Corporation*	Common Stock	-	9,504,121	-	5,528,000

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There were no category (i), (ii) or (iv) reportable transactions during 2003.

\*Indicates a party-in-interest to the Plan.

SIGNATURES

THE PLAN. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

FREMONT GENERAL CORPORATION  
AND AFFILIATED COMPANIES  
INVESTMENT INCENTIVE PLAN

June 28, 2004

/s/ RAYMOND G. MEYERS

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Raymond G. Meyers  
on behalf of the Plan Administrator of the  
Fremont General Corporation and Affiliated Companies  
Investment Incentive Plan