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FREMONT GENERAL CORP
Form 11-K
June 29, 2005

As filed with the Securities and Exchange Commission on June 29, 2005

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

FORM 11-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NO. 1-08007

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
2425 OLYMPIC BOULEVARD - 3RD FLOOR EAST
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, 2004 and 2003, 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, 2004 AND 2003
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, 2004 AND 2003

CONTENTS

Report of Independent Registered Public Accounting Firm.....	1
Audited Financial Statements	

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Statements of Net Assets Available for Benefits.....	2
Statements of Changes in Net Assets Available for Benefits.....	3
Notes to Financial Statements.....	4
Supplemental Schedules	
Schedule H, Line 4i - Schedule of Assets (Held at End of Year).....	10
Schedule H, Line 4j - Schedule of Reportable Transactions.....	11

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, 2004 and 2003, 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 financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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, 2004 and 2003, 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, 2004, 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

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opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ ERNST & YOUNG LLP

Los Angeles, California
June 15, 2005

FREMONT GENERAL CORPORATION AND AFFILIATED COMPANIES
INVESTMENT INCENTIVE PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	DECEMBER 31	
	2004	2003
	-----	-----
Investments, at fair value	\$ 190,495,848	\$ 137,466,4
Interest receivable	30,796	52,4
Other assets	23,736	164,7
	-----	-----
Net assets available for benefits	\$ 190,550,380	\$ 137,683,6
	=====	=====

See accompanying notes.

2

FREMONT GENERAL CORPORATION AND AFFILIATED COMPANIES
INVESTMENT INCENTIVE PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	YEAR ENDED D 2004

ADDITIONS (DEDUCTIONS)	
Contributions:	
Employee	\$ 14,086,730
Employer	9,994,923
Interest and dividends	3,872,654

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Net appreciation in fair value of investments	38,414,085
Net benefit distributions to participants	(13,501,648)

Net increase	52,866,744
Net assets available for benefits at beginning of year	137,683,636

Net assets available for benefits at end of year	\$ 190,550,380
	=====

See accompanying notes.

3

FREMONT GENERAL CORPORATION AND AFFILIATED COMPANIES
INVESTMENT INCENTIVE PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

1. DESCRIPTION OF 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. In 2004 and 2003, matching contributions were funded with shares of FGC Common Stock from the Company's employee benefits trust. The Company also may elect to make an additional discretionary contribution. Discretionary employer contributions are allocated to participants in proportion to their compensation. No discretionary employer contributions were made in 2004 and 2003. Officers participate in the Plan on the same basis as all other employees.

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' contributions and eligible compensation

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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.

4

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. Company matching and discretionary contributions became fully vested to participants that were active employees on or after January 1, 2003. Different vesting rules may apply to participants who terminated employment with the Company before January 1, 2003.

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 loan processing fee of \$40 is deducted directly from the paycheck in which the first loan repayment is made.

AMENDMENT AND/OR TERMINATION

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

5

FREMONT GENERAL CORPORATION AND AFFILIATED COMPANIES INVESTMENT INCENTIVE PLAN

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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, 2004, was \$25.18 per share (\$16.91 per share at December 31, 2003).

INVESTMENT INCOME

Interest income is 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.

6

FREMONT GENERAL CORPORATION AND AFFILIATED COMPANIES INVESTMENT INCENTIVE PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

EXPENSES

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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. There were no distributions payable at December 31, 2004. Distributions payable at December 31, 2003 were \$181,492.

FORFEITURES

The balance of amounts forfeited by nonvested accounts of inactive participants at December 31, 2004, was \$367,673. These forfeitures will be used to reduce employer matching contributions in future periods.

3. INVESTMENTS

During 2004 and 2003, the Plan's investments (including investments purchased, sold as well as held during the year) appreciated in fair value as follows:

	YEAR ENDED DECEMBER 31	
	2004	2003
	-----	-----
FGC Common Stock	\$ 35,230,583	\$ 59,809,486
Mutual funds	3,183,502	7,685,065
	-----	-----
	\$ 38,414,085	\$ 67,494,551
	=====	=====

7

FREMONT GENERAL CORPORATION AND AFFILIATED COMPANIES
INVESTMENT INCENTIVE PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. INVESTMENTS (CONTINUED)

Investments that represent 5% or more of the fair value of the Plan's assets are as follows (the investments in FGC common stock are non-participant directed):

	DECEMBER 31	
	2004	2003
	-----	-----
FGC Common Stock	\$ 108,951,480	\$ 77,347,57

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Mutual Funds:

Merrill Lynch Fundamental Growth Fund	9,846,580	7,934,64
Merrill Lynch Retirement Preservation Fund	19,052,512	17,190,78

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 31	
	2004	2003
	-----	-----
FGC Common Stock	\$ 108,951,480	\$ 77,347,57

8

FREMONT GENERAL CORPORATION AND AFFILIATED COMPANIES
INVESTMENT INCENTIVE PLAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. NONPARTICIPANT-DIRECTED INVESTMENTS (CONTINUED)

	YEAR ENDED D
	2004

Change in net assets:	
Contributions	\$ 12,684,879
Interest and dividends	1,009,137
Net appreciation in fair value of investments	35,230,583
Net transfers to participant-directed investments	(12,799,678)
Benefit distributions to participants	(4,521,015)

Total	\$ 31,603,906
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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.

9

SUPPLEMENTAL SCHEDULES

FREMONT GENERAL CORPORATION AND AFFILIATED COMPANIES
 INVESTMENT INCENTIVE PLAN
 EIN: 95-2815260 PLAN NUMBER: 003

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

DECEMBER 31, 2004

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	556,933 Units	\$ **
Global Allocation Fund	344,135 Units	**
Core Bond Fund	554,020 Units	**
Balanced Capital Fund	150,045 Units	**
Basic Value Fund	268,406 Units	**
S&P 500 Index Fund	542,025 Units	**
International Index Fund	235,052 Units	**
Retirement Preservation Fund	19,052,512 Units	**
Value Opportunities	139,200 Units	**
Oppenheimer Quest Balance Value Fund	247,442 Units	**
State Street Aurora Fund	138,191 Units	**
Fremont General Corporation*	4,326,905 shares of common stock	39,987,264

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Participants' loans* Interest at the
prime rate plus 2%

10

FREMONT GENERAL CORPORATION AND AFFILIATED COMPANIES
INVESTMENT INCENTIVE PLAN
EIN: 95-2815260 PLAN NUMBER: 003

SCHEDULE H, LINE 4(j) - SCHEDULE OF REPORTABLE TRANSACTIONS
YEAR ENDED DECEMBER 31, 2004

IDENTITY OF PARTY INVOLVED	DESCRIPTION OF ASSETS	PURCHASE PRICE	SELLING PRICE	EXPENSES INCURRED WITH TRANSACTION	COST ASSE
CATEGORY (III) - A SERIES OF TRANSACTIONS IN EXCESS OF 5% OF PLAN ASSETS					
Fremont General Corporation*	Common Stock	\$ 12,633,515	\$ -	\$ -	\$ 12,633
Fremont General Corporation*	Common Stock	-	13,667,524	-	5,799

11

SIGNATURES

THE PLAN. Pursuant to the requirements of the Securities Exchange Act of 1934,

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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 29, 2005

/s/ RAYMOND G. MEYERS

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