

1 THEODORE B. STOLMAN (State Bar No. CA 52099)
TStolman@Stutman.com
2 WHITMAN L. HOLT (State Bar No. CA 238198)
WHolt@Stutman.com
3 STUTMAN, TREISTER & GLATT, P.C.
4 1901 Avenue of the Stars, 12th Floor
Los Angeles, CA 90067
5 Telephone: (310) 228-5600
Facsimile: (310) 228-5788
6

7 ROBERT W. JONES (State Bar No. TX 10951200)
RWJones@pattonboggs.com
8 BRENT R. MCILWAIN (State Bar No. TX 24013140)
bmcilwain@pattonboggs.com
9 PATTON BOGGS LLP
2001 Ross Avenue, Suite 3000
10 Dallas, TX 75201-8001
Telephone: (214) 758-1500
11 Facsimile: (214) 758-1550

12 Reorganization Counsel for the Debtor and Debtor in Possession

13 Debtor's Mailing Address:
14 2727 East Imperial Highway
15 Brea, California 92821

16 **UNITED STATES BANKRUPTCY COURT**
17 **CENTRAL DISTRICT OF CALIFORNIA**
SANTA ANA DIVISION

18 In re: § CASE NO. 8:08-13421-ES
19 FREMONT GENERAL CORPORATION, a § CHAPTER 11
20 Nevada corporation, §
21 Debtor. § **CHAPTER 11 STATUS CONFERENCE**
§ **REPORT; AND DECLARATION OF THEA**
22 Tax I.D. 95-2815260 § **K. STUEDLI**

23 Hearing

24 § Date: November 20, 2008
25 § Time: 10:30 a.m.
26 § Place: Courtroom 5A
411 West Fourth St.
Santa Ana, California
27 §
28 §



081342108111000000000002

1 TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE ERITHE A. SMITH;
2 THE OFFICE OF THE UNITED STATES TRUSTEE; THE OFFICIAL COMMITTEE OF
3 UNSECURED CREDITORS; THE OFFICIAL COMMITTEE OF EQUITY HOLDERS; AND
4 OTHER INTERESTED PARTIES:

5 Fremont General Corporation, the debtor and debtor in
6 possession in the above-captioned chapter 11 case (the "Debtor"),
7 hereby submits this second Chapter 11 Status Conference Report in
8 anticipation of the Status Conference scheduled for November 20,
9 2008.¹

10 **A. General Case Background**

11 On June 18, 2008 (the "Petition Date"), the Debtor
12 commenced this chapter 11 case by filing a voluntary petition under
13 Chapter 11 of Title 11 of the United States Code (the "Bankruptcy
14 Code"). Pursuant to Bankruptcy Code sections 1107(a) and 1108, the
15 Debtor is continuing to operate and manage its business as debtor
16 in possession.

17 On July 1, 2008, the Office of the United States Trustee
18 (the "UST") appointed a five member official committee of creditors
19 holding unsecured claims against the Debtor (the "Creditors
20 Committee"). Then, on July 8, 2008 and pursuant to this Court's
21 June 24, 2008 order [see Docket No. 41], the UST appointed a nine
22 member official committee of the Debtor's equity holders (the
23 "Equity Committee"). The Debtor has met at length with both
24 committees and their respective counsel on a number of occasions.

25
26 ¹ The Debtor's first Status Conference Report was filed on July
27 24, 2008. An initial status conference was held on August 14,
28 2008. To the extent not otherwise set forth herein, the first
Status Conference Report is incorporated herein for all
purposes.

1 **B. The CapitalSource Transaction**

2 On June 23, 2008, the Debtor filed its *Motion for Order*
3 *Authorizing the Debtor to Use the Shares of a Non-Debtor Subsidiary*
4 *to Consummate the CapitalSource Transaction* (the "CapitalSource
5 Motion" [Docket No. 29]), which sought entry of an order
6 authorizing the Debtor, as sole shareholder, to use (by voting) its
7 shares of a non-debtor subsidiary to consummate (1) the sale of
8 certain assets of Fremont Investment & Loan (now Fremont
9 Reorganizing Corporation, "FRC"), its indirect, wholly owned
10 subsidiary, to CapitalSource, Inc. or its designee ("CSE") and (2)
11 the assumption of the Bank's deposits by CSE (collectively, the
12 "CapitalSource Transaction").

13 Following a hearing on July 17, 2008, the Court approved
14 the relief requested in the CapitalSource Motion [see Docket nos.
15 110 & 111] and the CapitalSource Transaction closed on July 25,
16 2008.

17 **C. Compliance with the Debtor's Duties**

18 The Debtor has complied with its duties under the
19 Bankruptcy Code, as it (1) filed a list of creditors on the
20 Petition Date, (2) timely filed a schedule of assets and
21 liabilities on July 3, 2008, (3) timely filed a schedule of current
22 income and current expenditures on July 3, 2008, and (4) timely
23 filed a statement of the debtor's financial affairs on July 3,
24 2008. 11 U.S.C. §§ 521(a)(1)(A), (B)(i), (B)(ii) & (B)(iii).
25 Moreover, the Debtor complied with the requirements of this Court
26 and the UST by submitting its monthly operating reports and the 7-
27 Day Package to the UST. Further, the Debtor has amended its

1 schedules on October 30, 2008 [see Docket No. 327] to (1) reflect
2 the addition of creditors having an "ESOP Plan" based claim, (2)
3 make corrections to previously estimated claims, and (3) make
4 specific corrections on the Schedule B of personal property.

5 **D. Employment of Professionals**

6 The Debtor filed applications to employ the law firms of
7 Stutman, Treister & Glatt PC and Patton Boggs, LLP, as well as FTI
8 Consulting, Inc., as its bankruptcy professionals [see Docket Nos.
9 40, 42 & 46]. A hearing was held on August 14, 2008 regarding
10 employment of FTI Consulting, Inc., and the Court approved the
11 application [see Docket No. 199]. A hearing was held on September
12 16, 2008 regarding employment of Stutman, Treister & Glatt PC and
13 Patton Boggs, LLP, and the Court approved these applications [see
14 Docket No. 269]. Stutman, Treister & Glatt PC, Patton Boggs, LLP,
15 and FTI Consulting, Inc. each filed their First Monthly
16 Applications for Interim Compensation and Reimbursement of Expenses
17 (June 18 - September 30, 2008) on October 29, 2008 [see Docket Nos.
18 323, 324, & 325].

19 On September 9, 2008, the Debtor filed an application to
20 employ Squar, Milner, Peterson, Miranda & Williamson, LLP as the
21 Debtors independent auditor [see Docket No. 229]. The Debtor is
22 working to resolve certain informal objections to the Squar Milner
23 application and expects to file a stipulation shortly resolving
24 those informal objections.

25 On October 16, 2008, the Debtor filed an application to
26 employ Epstein Becker & Green, P.C. as special litigation counsel
27 to the Debtor [see Docket No. 303]. The Debtor has resolved
28

1 certain potential objections to the Epstein Becker application and
2 expects to lodge a proposed order approving the application in the
3 immediate future.

4 The Creditors Committee filed applications to retain
5 Klee, Tuchin, Bogdanoff & Stern LLP as its counsel and Solon Group,
6 Inc. as its financial advisor. The court approved those
7 applications on August 15, 2008 and August 14, 2008, respectively
8 [see Docket Nos. 175, 174]. Klee, Tuchin, Bogdanoff & Stern LLP
9 has filed its application for compensation for professional fees
10 and expenses for the months of July, August, September, and October
11 2008 [see Docket Nos. 264, 267, 292, & 332]. The Solon Group has
12 filed a statement of its professional fees for the month of July,
13 2008 [see Docket No. 289].

14 The Equity Committee filed an application to retain
15 Weiland Golden, Smiley, Wang Ekvall & Strok LLP as its counsel.
16 The court approved this application on August 15, 2008 [see Docket
17 No. 185]. The Equity Committee also filed an application to retain
18 CRG Partners, Inc. as its financial advisors [see Docket No. 127]
19 and the application was approved by the Court at a hearing on
20 September 16, 2008 [see Docket No. 295].

21 The Debtor expects to file applications to employ or
22 retain certain other professionals in the near future.

23 **E. Status of the Debtor's Post-Petition Operations**

24 The Debtor timely filed its initial monthly operating
25 report with the UST, showing at June 30, 2008, a balance of
26 \$2,281,725 in its master demand account and \$29,540,833 in its
27 overnight investment account. For the period June 19, 2008 through
28

1 June 30, 2008, the Debtor reported a net operating loss of \$182,588
2 on an accrual basis. Such operating loss does not take into
3 account non-operating expenses such as accrued professional fees.
4 For the period July 1, 2008 through July 31, 2008, the Debtor
5 reported a net operating loss of \$7,931,690 primarily resulting
6 from non-cash compensation expense, which was recognized upon the
7 accelerated vesting of unvested restricted stock awards. For the
8 period August 1, 2008 through August 31, 2008, the Debtor reported
9 a net operating loss of \$408,315 from ordinary course activities.
10 For the period September 1, 2008 through September 30, 2008, the
11 Debtor reported a net operating gain of \$8,842,622 primarily caused
12 by the reversal of non-cash compensation expense, which was
13 previously recognized upon assumed accelerated vesting of unvested
14 restricted stock awards during the pre- and post-petition periods.
15 The expense reversal was due to the forfeiture of certain
16 restricted stock awards.

17 **F. Status of Post-Petition Litigation**

18 The Debtor has been working to address the myriad civil
19 actions that were proceeding against the Debtor (and, in many
20 cases, against FRC) in various fora on the Petition Date. Among
21 other things, the Debtor removed certain litigation that was
22 pending in California state courts to this Court [see Docket Nos.
23 83 & 87]. Those removed actions remain pending as separate
24 adversary proceedings.

25 After removal of the SERP litigation from California
26 state court, a Motion to Remand was filed [see Adversary Proceeding
27 No. 8:08-ap-01256-ES, Docket No. 4]. A hearing on the motion to
28

1 remand was held on September 11, 2008, and the motion to remand was
2 denied [see Adversary Proceeding No. 8:08-ap-01256-ES, Docket No.
3 22]. The Debtor and other defendants have filed Motions to Dismiss
4 the proceeding [see Adversary No. 8:08-ap-01256-ES, Docket Nos. 10,
5 18 & 23]. A hearing on the motions to dismiss is scheduled for
6 November 13, 2008. The Plaintiffs have expressed an intent to
7 amend their complaint.

8 After removal of the Insurance Commissioner litigation
9 from California state court, a Motion to Remand was filed [see
10 Adversary No. 8:08-ap-01258-ES, Docket No. 9]. A hearing on the
11 motion to remand was held on September 11, 2008, and the motion to
12 remand was denied [see Adversary No. 8:08-ap-01258-ES, Docket No.
13 17]. The Court has set the following deadlines with respect to the
14 Insurance Commissioner litigation:

- 15 • Rule 7026 Initial Disclosures Deadline: November
16 14, 2008;
- 17 • Non-Expert Discovery Cut-Off: April 24, 2009;
- 18 • Disclosure of Expert Witnesses & Reports: May 2,
19 2009;
- 20 • Disclosures of Rebuttal Expert Witnesses & Reports:
21 June 1, 2009;
- 22 • Expert Discovery Cut-Off: June 26, 2009;
- 23 • Deadline to attend mediation: July 18, 2009;
- 24 • Joint Pre-trial Order due: July 30, 2009; and
- 25 • Pre-trial Conference: August 13, 2009 at 9:30 a.m.

26 On August 21, 2008, a former director and current
27 stockholder, James McIntyre, filed a Motion for Relief from Stay to
28

1 compel a shareholder's meeting [see Docket No. 187]. After a
2 hearing on October 7, 2008, the Court denied the motion [see Docket
3 No. 318].

4 On October 3, 2008, a former employee, Alan Faigin, filed
5 a Motion for Relief from Stay to proceed with a state court action
6 against FRC related to his employment contract with the Debtor [see
7 Docket No. 277]. The Debtor opposed the relief requested by Alan
8 Faigin, and a hearing was held on November 4, 2008. At that
9 hearing, Alan Faigin requested a continuance, and the hearing on
10 the motion was continued to December 2, 2008.

11 The Debtor also filed suit against Federal Insurance
12 Company on October 20, 2008 [see Adversary Proceeding No. 8:08-ap-
13 01418-ES, Docket No. 1]. That suit involves certain insurance
14 coverage issues. A status conference is scheduled for January 15,
15 2009.

16 The Debtor is analyzing other potential litigation
17 claims.

18 **G. Status of Executory Contracts and Unexpired Leases**

19 After consultation with the committees and after thorough
20 review, the Debtor determined that its only non-residential real
21 property lease in Santa Monica, California was a burden to the
22 estate, and that no value existed in the lease. Accordingly, the
23 Debtor allowed that lease to be deemed rejected by operation of
24 law, as of October 16, 2008.

25 The Debtor has not assumed or rejected any other
26 executory contracts and unexpired leases, and such matters remain
27 under evaluation. The Debtor intends to consult with the
28

1 committees regarding the appropriate action to be taken on account
2 of its remaining leases and/or executory contracts.

3 **H. Timing of a Plan and Disclosure Statement**

4 On September 22, 2008, the Debtor filed a motion to
5 extend the exclusivity period in which only the Debtor could file
6 or solicit acceptances of a plan [see Docket No. 251]. On October
7 24, 2008, the Court approved the Debtor's motion to extend the
8 exclusivity period and ordered that (1) the exclusive period in
9 which only the Debtor may file a plan is extended through and
10 including January 30, 2009, and (2) the exclusive period in which
11 only the Debtor may solicit acceptances to a plan is extended
12 through and including April 30, 2009 [see Docket No. 317].

13 The Debtor is presently negotiating with various parties
14 in interest regarding plan options. The Debtor hopes to negotiate
15 a consensual plan, and file the same prior to the expiration of the
16 current exclusivity period.

17 **I. Bar Date**

18 The Court has authorized the establishment of a November
19 10, 2008 general bar date in accordance with the Stipulated Order
20 Regarding the Claims Bar Date [see Docket No. 200]. Notice was
21 provided by the Debtor in accordance with Local Bankruptcy Rule
22 3001-1 [see Docket No. 237].

23 **J. Status of Avoidance Actions**

24 The Debtor has not made a determination as to whether the
25 estate holds avoidance actions at this time, but will be
26 investigating and potentially bringing such claims in the future.

1 Respectfully submitted,

2 DATED: November 10, 2008

/s/Whitman L. Holt

3 THEODORE B. STOLMAN
4 WHITMAN L. HOLT
5 STUTMAN, TREISTER & GLATT
6 PROFESSIONAL CORPORATION

7 -and-

8 ROBERT W. JONES
9 BRENT R. MCILWAIN
10 PATTON BOGGS LLP

11 Reorganization Counsel for the Debtor
12 and Debtor in Possession
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

DECLARATION OF THEA K. STUEDLI

I, Thea K. Stuedli, declare under penalty of perjury as follows:

1. I am over the age of eighteen and mentally competent. I have personal knowledge of the facts in this matter, and if called to testify, could and would testify.

2. I am an Executive Vice President and the Chief Financial Officer ("CFO") of Fremont General Corporation (the "Debtor"). I am involved on a day-to-day basis with all major financial decisions made by the Debtor. Accordingly, I have personal knowledge of all major aspects of the Debtor's affairs, day-to-day business operations, financial condition, and books and records.

3. I have read the foregoing Chapter 11 Status Conference Report and to the best of my knowledge, information, and belief, the report is true and correct based on the information currently available to me.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Executed on November 10, 2008, at Brea, California.



Thea Stuedli

