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UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
SANTA ANA DIVISION

In re: FREMONT GENERAL CORPORATION, a Nevada corporation, Debtor. Tax I.D. 95-2815260	§	Case No. 8:08-bk-13421-ES CHAPTER 11 **FREMONT GENERAL CORPORATION'S REPLY BRIEF IN FURTHER SUPPORT OF ITS THIRD MOTION FOR ORDER EXTENDING THE EXCLUSIVE PERIODS IN WHICH ONLY THE DEBTOR MAY FILE A PLAN AND SOLICIT ACCEPTANCES THERETO; DECLARATIONS OF DONALD E. ROYER, RICARDO S. CHANCE, AND THEODORE B. STOLMAN IN SUPPORT THEREOF** **Hearing** Date: April 30, 2009 Time: 10:30 a.m. Place: Courtroom 5A 411 West Fourth St. Santa Ana, California

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The Debtor[1] respectfully submits this Reply Brief in further support of its Exclusivity Motion and in response to the Creditors Committee's April 21, 2009 objection to that motion (the "Committee Objection" [Docket No. 608]; cited herein as "Cred. Obj. at __").[2] In addition to the Committee Objection, the Equity Committee filed a joinder in support of the Debtor's Exclusivity Motion on April 16, 2009 [Docket No. 593].

I. PRELIMINARY STATEMENT

In the last five days, the Debtor has filed three 9019 motions regarding agreements that resolve at least ***$530 million*** (possibly much more) of claims against its estate for consideration totaling approximately $26 million (which may end up being materially less). In addition, during recent months, the Debtor has made material progress with the IRS regarding its audit for taxable years 2004 and 2005 and continues to investigate possible consensual resolutions of other contingent claims against its estate. The Debtor's management and professionals have worked very hard to achieve these favorable results, and it would be absurd to say the results are anything but good faith progress.

If the Debtor's ongoing attempts to resolve certain other contingent claims are successful, then there may ultimately be a scenario where a chapter 11 plan could be proposed in which all non-subordinated creditors are paid on or near the effective date

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[1] Capitalized terms used but not otherwise defined herein shall have the meanings provided in the Debtor's initial Exclusivity Motion and the supporting *Memorandum of Points and Authorities* [Docket No. 584].

[2] As noted in footnote 1 of the Committee Objection, the Debtor agreed to extend that committee's responsive deadline to April 21, 2009, and the Creditors Committee in turn agreed to extend the Debtor's reply deadline to April 28, 2009.

of the plan. If this scenario materializes, then the Creditors Committee's concerns about administrative costs and control – and perhaps that committee's continued participation in this case in *any* capacity – become perfunctory. In light of this favorable upward path, one would expect the Creditors Committee to be sanguine about matters and provide adequate space in which the Debtor and its professionals can keep their eyes on achieving this unquestionably worthwhile resolution of this case.

Instead, the Creditors Committee continues to adopt the openly hostile posture it has maintained throughout this case. In fact, the Creditors Committee now takes matters a step further, attempting to cast itself as the only proactive party in the settlement and plan proponent processes, with the Debtor being "on the sidelines." This is an unfortunate mischaracterization of the facts, one that does an extreme disservice to the Debtor's hardworking management and professionals.

In reality, the Debtor, the Equity Committee, and all six potential plan proponents have found the Creditors Committee to be nonresponsive, elusive, opaque, and unreasonable throughout the plan process. Why this attitude has persisted in the face of the Debtor's unquestionable success in settling significant claims, locating multiple interested plan proponents, and attempting to consensually resolve this case is an open question. But, for whatever reason, the Creditors Committee made a knowing and deliberate choice to adopt an unproductive approach.

The Debtor sincerely regrets that matters have devolved to this point, and we have no doubt that the Court does not want or need to be involved in a "he said/she said" squabble over recent

events. Instead, the Debtor requests that the Court take a step back, look at the Debtor's track record of success, and consider what route would most fairly resolve this complex case.

If the Court's conclusion is that the plan proponent process – despite being undertaken in good faith and with steadfast effort by the Debtor during trying economic times – has run its course and that now is the time for a standalone or "liquidating" plan, then (assuming the Debtor's Board supports this approach) the Debtor submits that adequate time should be provided in which the Debtor can work closely with counsel for both committees to refine the draft standalone plan it has prepared, resolve any potential concerns, file that plan with the Court, and press toward its confirmation. In the meantime, perhaps the Debtor can also resolve contingent claims to an extent that the Creditors Committee's participation in the standalone plan process becomes unnecessary. Even so, the Debtor and its professionals fully intend to *work with*, not "force," the Creditors Committee and its professionals to resolve matters in a competent and professional manner. The alternative is that the Debtor prematurely files a plan which is not fully vetted or that assorted parties in interest begin to file myriad competing plans. Either of these outcomes would result in greater expense to the estate than what the Debtor proposes.

The case is now in its twilight hours. The Debtor believes that the great progress made to date justifies allowing the Debtor brief additional time in which the Debtor can facilitate a successful conclusion. Any other option would not be in the best interests of the Debtor's estate and its residual stakeholders. Accordingly, ample "cause" exists to grant the Exclusivity Motion.

II. ARGUMENT

Everyone agrees about the standards applicable to the instant Exclusivity Motion: the Court not only should review the nine factors cited in *In re Dow Corning Corp.*, 208 B.R. 661 (Bankr. E.D. Mich. 1997), but also should adopt "a broader, more global view – focused on what is best for these chapter 11 cases; most in keeping with the letter and spirit of chapter 11; and what is most appropriate under the unique facts" presented here. *In re Adelphia Commc'ns Corp.*, 352 B.R. 578, 582 (Bankr. S.D.N.Y. 2006).

The exclusivity analysis always requires a fact-intensive assessment of one "key question": Will an exclusivity extension "facilitate movement towards a fair and equitable resolution of the case, taking into account all the divergent interests involved"? *See Official Comm. of Unsecured Creditors v. Henry Mayo Newhall Mem'l Hosp. (In re Henry Mayo Newhall Mem'l Hosp.)*, 282 B.R. 444, 453 (B.A.P. 9th Cir. 2002). Here, there are three groups of factual considerations that should lead the Court to grant the Exclusivity Motion notwithstanding the Committee Objection, which are discussed in turn below.

A. Unquestionably Significant Progress Has Been Made In Multiple Litigation Matters, Fundamentally Altering The Possible End Games For This Chapter 11 Case.

On April 23, 2009, the Debtor filed two motions seeking this Court's approval of settlements pursuant to Federal Rule of Bankruptcy Procedure 9019(a). The first motion [Docket No. 598] pertains to a settlement resolving the ***over $485 million*** in claims filed by the California Insurance Commissioner for consideration slightly in excess of $14 million. The second motion [Docket No.

599] pertains to a settlement resolving the "estimated" $20 million claim arising from the Commonwealth of Massachusetts' consumer protection litigation (which carried the potential to be a far larger claim) for consideration totaling $10 million, much of which may be recoverable from applicable insurance.

Just *this Monday*, the Debtor filed another 9019 motion regarding a settlement resolving the over $25 million claim filed by Enron's bankruptcy estate for what amounts to an allowed claim of $2 million dollars [Docket No. 618]. Moreover, the Debtor and its professionals are still investigating resolutions of certain other contingent claims. Beyond this, the Debtor made significant progress regarding the IRS's asserted priority tax claim (and, derivatively, the California Franchise Tax Board's claim) as part of an administrative appeal regarding an audit of taxable years 2004 and 2005. The Debtor further is working in good faith with the IRS to resolve an audit for taxable years 2006 and 2007.

In other words, within just the last two weeks, the Debtor has resolved over **$530 million** of the claims asserted against its estate, and may resolve even more claims. Such favorable outcomes – the result of months of hard work by the Debtor's management and professionals[3] – not only represent

[3] The Creditors Committee asserts that it "has been actively involved" in the Debtor's effort to resolve these claims. *See* Cred. Obj. at 8:12-13. While the Creditors Committee has certainly *participated* in the process as a result of the Debtor's desires to keep that committee fully apprised of the settlement negotiations and requests that the committee provide comments on proposed settlement terms and documents, it is an overstatement to suggest that the Creditors Committee has been "actively involved" in direct negotiations or has taken the laboring oar in getting any of the deals done. Rather, the Debtor and its professionals have been the definitive actors, and their hard work is unnecessarily slighted by the Creditors Committee's attempt to claim credit for these successes.

unquestionable good faith progress in what has been called a "claims resolution case," but also have critical bearing on the plan process.

If certain open contingencies are favorably resolved in the near term, it may be possible for a plan to be proposed (either with a proponent or on a standalone basis) that pays all non-subordinated unsecured creditors, with appropriate reserves made for disputed amounts,[4] on or in close proximity to the plan effective date. There is no guarantee this will occur, of course, as a number of open matters still need to fall into place. Nevertheless, if this scenario *does* occur, then it is not clear to the Debtor why many members of the Creditors Committee, and perhaps even the committee itself, should have much say *at all* in the plan process or in the Debtor's post-confirmation affairs.

Because the resolution of contingent claims remains in flux, is marked by the recent favorable accomplishments, and could obviate the retention by the Debtor's senior debt or general unsecured creditors of any stake in the plan process, the Court should refuse to allow the Creditors Committee to disrupt the case or obtain control of the plan process. Instead, the Debtor should be permitted to continue on its current, highly productive path.

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[4] Among those disputed amounts could be a component regarding postpetition interest on the Debtor's Senior Notes, or perhaps on other unsecured claims. For whatever reason, certain members of the Creditors Committee seem to believe they have a right to postpetition interest far in excess of the federal judgment rate, notwithstanding Ninth Circuit case law to the contrary. *See Onink v. Cardelucci (In re Cardelucci)*, 285 F.3d 1231 (9th Cir.), *cert. denied*, 537 U.S. 1072 (2002). If the creditors' desire to take large distributions on account of postpetition interest from remaining value for the Debtor's equityholders cannot be consensually resolved, this issue will have to be litigated before the Court. The Debtor does not believe this issue *necessarily* needs to be part of any plan, however.

B. The Plan Proponent Process *Appears* To Be At Its Conclusion, But That Fact Is Principally Due To The Creditors Committee's Antagonistic Behavior.

The Committee Objection paints a woefully distorted picture of the plan proponent process, attempting to convince the Court that the Creditors Committee was "on the front lines in dealing with the prospective bidders during this process" while "the Debtor has largely been on the sidelines." *See* Cred. Obj. at 2:17 – 3:12. While the Creditors Committee may ultimately be correct that the KPMGCF marketing process is near an end (despite the fact that members of the Creditors Committee actively continue to negotiate with one or more of the proponents to this day), the Debtor feels an obligation to the Court and all parties in interest to clarify the Creditors Committee's warped version of the record.

Despite the Creditors Committee's antipathy from the very beginning[5] and despite the incredibly expedited schedule, KPMGCF's marketing process yielded six (6) potential plan proponents who KPMGCF determined were financially qualified and who submitted draft plan proposals by the February 15 deadline. Each proposal contemplated adding significant new value to the Debtor's estate.

Soon after the proponents' proposals were provided to both official committees, the Debtor and KPMGCF sought to arrange in person meetings between the proponents (each of which was highly interested in presenting its qualifications and negotiating face-

[5] *See, e.g., Official Committee of Unsecured Creditors' Non-Opposition / Statement re Application for Order Authorizing the Employment and Retention of KPMG Corporate Finance LLC* [Docket No. 380] at 1:11-12 ("The engagement of KPMG will likely prove to be just another expensive and time-consuming 'bunny trail,' accomplishing nothing other than the continued depletion of the estate's cash to the detriment of creditors.").

to-face) and the committees. The Debtor immediately ran into problems with the Creditors Committee. Members of the Creditors Committee refused to meet with more than two of the proponents, refused to travel to the Debtor's headquarters in Brea for the meetings, and refused to arrange their schedules to accommodate the proponents. Notwithstanding this difficulty, the Debtor coordinated in person meetings with two proponents, at which the Creditors Committee's tone was generally not receptive or open.

Shortly after the initial two meetings, the Debtor and KPMGCF attempted to arrange further meetings with the other proponents, but were rebuked by the Creditors Committee. The Debtor and KPMGCF also sought further guidance from the Creditors Committee about what the Creditors Committee disliked about the proposals. The Creditors Committee provided little guidance until March 11, 2009, when the Creditors Committee transmitted what can only be described as a "wish list" of terms to KPMGCF and the Debtor's counsel. *See* Stolman Decl. Ex. "A." That list contained a number of provisions the Debtor considered unreasonable and that creditors would never obtain in a confirmable "standalone" plan, such as massive increases in the prevailing interest rates, very expedited payment terms, security interests in the Debtor's stock of Fremont Reorganizing Corporation ("FRC"), FRC's assets, and the proponent's stock in the Debtor, and non-market limitations on terms protective of the proponents. *See id.* Notwithstanding the overreaching nature of the Creditors Committee's demands, KPMGCF and the Debtor provided this "wish list" to all of the proponents and advised that the Debtor's professionals would remain available to help craft revised proposals.

One of the six potential proponents ("Proponent One") seemed willing to agree to many of the Creditors Committee's demands and asked the Debtor for permission to negotiate directly with the committee. The Debtor granted that request, but also asked the Creditors Committee to stay engaged in the process with the other five proponents. The Creditors Committee refused. Moreover, the Creditors Committee instructed Proponent One not to update the Debtor on the ongoing negotiations for several weeks.

Negotiations between the Creditors Committee and Proponent One occupied most of March and early April, with the Creditors Committee working to keep the Debtor in the dark about the fluid deal terms. During this period, the Debtor was repeatedly advised by Proponent One that the Creditors Committee was being nonresponsive to Proponent One and was dragging its feet during the negotiations. The Debtor was further advised by the Equity Committee that the Creditors Committee had essentially frozen any discussions with the Equity Committee after the committees reached an impasse regarding the appropriate postpetition interest rate. *See* footnote 4 *supra*. The only common thread in the plan process as of late March 2009 is that everyone – the Debtor, KPMGCF, the Equity Committee, and all of the proponents – was frustrated and confused by the Creditors Committee's unwillingness to openly participate in the process and negotiate in a timely fashion.

As noted in the Exclusivity Motion, the Creditors Committee finally responded on April 6, 2009 by providing the Debtor with a heavily redacted draft of a term sheet regarding negotiations as of that date with Proponent One and a form bidder

term sheet that could be circulated to the remaining proponents (that form contained many of the unreasonable terms from the March 11 "wish list"). When the Debtor's counsel and individuals from KPMGCF attempted to discuss the "Bidder TS" with counsel for the Creditors Committee, committee counsel recognized that certain aspects of the term sheet were ambiguous and in need of revision. Rather than convene the Creditors Committee to correct or clarify these terms, counsel advised that KPMGCF and the Debtor could tell the proponents that the Creditors Committee had more flexibility about certain issues than the draft "Bidder TS" would imply.

The Debtor and KPMGCF immediately provided the Creditors Committee's "Bidder TS" to all of the proponents, noting the committee's apparent willingness to accept variations from the desired terms. Three of the proponents responded by submitting further revised proposals by April 16 (the other three found the Creditors Committee's suggestions unreasonable). Those three proposals were transmitted to the Creditors Committee on April 17, 2009, and the Creditors Committee responded by dismissing them all out of hand. When the Debtor and KPMGCF inquired as to what was wrong with the proposals, the Creditors Committee initially refused to provide *any* substantive response, and then pointed to a few more secondary topics of negotiation as being unacceptable, without deigning to make any counterproposal (notwithstanding the previous suggestion that variations from the "Bidder TS" were acceptable, and indeed *necessary*). Notwithstanding the Creditors Committee's obvious disengagement from the process, the Debtor understands that at least one of the proponents ("Proponent Two") is continuing to revise proposals and negotiate with the Creditors Committee.

Indeed, as recently as April 27, 2009, Proponent Two was presenting revised proposals and the Creditors Committee was requesting the Debtor's comment on those proposals.

The foregoing discussion would have been unnecessary if the Creditors Committee had been candid with the Court in the Committee Objection. The Debtor, however, believes that the Creditors Committee's account of the facts is seriously misleading. Far from being "on the front lines in dealing with the prospective bidders," the Creditors Committee has refused ***even to talk or meet with*** most of the proponents. When the Creditors Committee has met with proponents, it has been dismissive, overly demanding, and nonresponsive. This is the Creditors Committee's prerogative, of course, but it should come as no surprise to the Creditors Committee that the Debtor, KPMGCF, the Equity Committee, and all of the proponents (many of whom spent hundreds of thousands of their own dollars attempting to propose a consensual transaction) are frustrated by the Creditors Committee's conduct.

At day's end, the Debtor believes its skepticism of the Creditors Committee and the content of the Committee Objection is shared by the other participants in the KPMGCF plan marketing process and that the Creditors Committee stands alone in applauding itself. Ultimately, however, the result may be the same: for whatever reason, the Creditors Committee refuses to go any further in the process of negotiating a consensual plan with a third-party plan proponent (except, perhaps, with Proponent Two, although even this is unclear). If that is in fact the case, then the best option may be to proceed with a "standalone" plan. That conclusion does not eliminate the need for an exclusivity extension, however.

C. Even If Now Is The Time To Focus On A "Standalone" Plan, The Debtor Needs Time To Work Constructively With Both Committees To Make That Plan As Strong As Possible.

During the early stages of the KPMGCF marketing process, the Debtor's professionals spent some effort drafting a potential "standalone" or "liquidating" plan. Once it became clear that KPMGCF had located several potential proponents, however, the Debtor's professionals put the standalone plan on the shelf so they could focus on the proponent process with appropriate intensity. Following the Creditors Committee's seeming abandonment of the proponent process in mid-April 2009, the Debtor's professionals returned to the standalone plan and disclosure statement, and intend to discuss that draft with the Debtor's Board of Directors at a Board meeting on April 28, 2009. If the Debtor ultimately files that draft plan and seeks to confirm it, the Debtor believes that the plan should first be modified to include any constructive suggestions which may be provided by the committees' counsel. Plus, the Debtor's "standalone" plan should be a consensual plan.

Promptly after returning to the "standalone" plan concept, the Debtor's counsel attempted to reach out to Creditors Committee's counsel and invite their participation. Toward that end, Debtor's counsel had telephonic discussions with both sets of committee counsel during the week of April 19-25, 2009. In those conversations, Debtor's counsel suggested that the Debtor would circulate a draft of the "standalone" plan following consideration of that plan by the Board on April 28 and that the parties should work to negotiate, propose, and confirm that plan as a consensual plan. Because the Debtor understood that the Creditors Committee

had done some work on a "standalone" plan of its own, Debtor's counsel requested that the Creditors Committee share such plan-related materials with the Debtor so the Debtor could incorporate the Creditors Committee's concepts into its own "standalone" plan.

On April 23, 2009, counsel for the Debtor sent counsel for the Creditors Committee a letter renewing these requests and asking if the Creditors Committee would agree to a 15-day exclusivity extension to negotiate the terms of such a plan. *See* Stolman Decl. Ex. "B" (letter redacted to remove the name of Proponent Two). On April 24, 2009, Creditors Committee counsel refused on all scores, and declined to share any of the plan-related materials the committee had prepared with the Debtor, instead referring the Debtor to a short 4-page "term sheet" the Creditors Committee had filed in January 2009 as part of an opposition to the Debtor's second exclusivity motion.[6] *See* Stolman Decl. Ex. "C" (similarly redacted).

Contrary to the Creditors Committee's suggestion, the Debtor has no interest in "forcing" the creditors to "accept a

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[6] *See* Exhibit A to the *Declaration of David Hollander in Support of Official Committee of Unsecured Creditors' Objection to Second Motion for Order Extending the Exclusive Periods in Which Only the Debtor May File a Plan and Solicit Acceptances Thereto* [Docket No. 438]. While providing some "broad brush" plan concepts, the short term sheet certainly does not contain the detail required to draft a full plan, and it also provides little for the Debtor to incorporate into its working draft "standalone" plan. In addition, the short term sheet is cryptic or vague about a number of key issues, including (1) what the Creditors Committee intends regarding "a market rate" of postpetition/post-confirmation interest on unsecured claims, or how such "a market rate" could be justified as a matter of law; (2) what steps the Creditors Committee believes are appropriate, if any, to preserve the Debtor's significant net operating loss tax attributes; and (3) how that term sheet's proposed governance structure should be modified in light of the changed economic realities of this case.

proposal or negotiate." *See* Cred. Obj. at 12:13-15. What the Debtor's management and professionals *do* want is to exit this case with a consensual plan that benefits from the input of both committees, avoids the need for very costly litigation over competing plans, and resolves this case in a fashion consistent with Bankruptcy Code section 1129 as to *all* constituencies.[7]

If the Court agrees with the Creditors Committee's dire assessment of the plan proponent process and concludes that the Debtor should focus on finalizing and confirming a "standalone" plan, the Debtor is ready to approach the task with appropriate intensity (while still working to resolve remaining contingencies). The Debtor respectfully requests that the Court provide the Debtor with adequate time in which the Debtor can clean-up its current working draft "standalone" plan, circulate that plan to both committees for their review and comment, incorporate revisions from the committees or based upon the effectiveness of pending and possible settlements, and finalize a disclosure statement which comports with Bankruptcy Code section 1125. This path promotes a fair and equitable outcome of this case, while minimizing unnecessary expense for the Debtor's estate and all stakeholders.

D. Summary Of The Need For And Possibilities In 45 Days.

The Court may fairly ask the Debtor, "What is going to happen in the next 45 days to change the plan process such that an

[7] To the best of the Debtor's knowledge, there is really only one issue that is driving the Creditors Committee's obsession with their own "standalone" plan: the desire of certain creditors to get a "market" or other high postpetition interest rate well in excess of the federal judgment rate. If this interest rate issue cannot be bridged and is the only dispute holding up a consensual plan, the Debtor believes the plan can be structured to avoid having that one issue delay resolution of the case.

exclusivity extension is appropriate?" The Debtor believes the Court's inquiry should include the following considerations:

• The Debtor will timely circulate a draft "standalone" plan to both committees, and will work to make that plan strong – and, we hope, consensual – based upon committee input.

• The Debtor will ensure that the KPMGCF process has in fact been exhausted, such as by pushing the Creditors Committee and Proponent Two to see if a deal can ultimately be made.

• The crucial settlements of $530 million of claims will come on for hearing on May 14 and May 19, and, the Debtor believes, be approved by the Court and become effective shortly thereafter.

• The Debtor will continue its hard work to resolve other large contingent claims, and may make progress or otherwise determine the outcome of pending matters regarding the IRS, the state court "Rampino litigation," and other disputes.

• The Debtor will file a plan and disclosure statement setting forth a proposal which complies with all aspects of the Bankruptcy Code and will pursue confirmation of that plan.

In light of these possibilities and events, the Debtor determined that it is appropriate again to extend the Exclusivity Periods. In that regard, the Debtor notes that its third requested extension of the Filing Exclusivity Period still places that period within one year of this case's Petition Date (i.e., June 18, 2008). Given the size of this case, the significant accomplishments to date, and the incredibly trying times in which this case has unfolded, the Debtor's request is hardly unreasonable, but rather is supported by adequate "cause." The Committee Objection should be overruled and the Exclusivity Motion should be granted.

III. CONCLUSION

For the reasons and based on the authorities set forth above, the Debtor again respectfully requests that the Court grant the Exclusivity Motion and enter an order (1) extending the Filing Exclusivity Period through and including June 15, 2009; (2) extending the Solicitation Exclusivity Period through and including September 14, 2009; and (3) granting any other relief that the Court deems necessary and appropriate.

DATED: April 28, 2009

/s/Whitman L. Holt
THEODORE B. STOLMAN
WHITMAN L. HOLT
STUTMAN, TREISTER & GLATT
PROFESSIONAL CORPORATION

-and-

ROBERT W. JONES
BRENT R. MCILWAIN
PATTON BOGGS LLP

Reorganization Counsel for Debtor and Debtor in Possession

DECLARATION OF DONALD E. ROYER

I, Donald E. Royer, declare as follows:

1. I am over eighteen years of age and I have personal knowledge of each of the facts stated in this declaration. If called as a witness, I could and would testify as to the matters set forth below based upon my personal knowledge.

2. I submit this declaration in support of *Fremont General Corporation's Reply Brief in Further Support of Its Third Motion for Order Extending the Exclusive Periods in Which Only the Debtor May File a Plan and Solicit Acceptances Thereto*.

3. I am an Executive Vice President of and the General Counsel for Fremont General Corporation (the "Debtor"[1]). I have been employed in that capacity since November 2007. As a result, I am familiar with the Debtor's business and operations, particularly with respect to matters involving litigation pending against the Debtor and matters arising in this chapter 11 bankruptcy case.

4. I have reviewed the objection the Creditors Committee filed to the Debtor's Exclusivity Motion. I do not believe that pleading fairly presents the facts. Indeed, I believe that pleading is grossly unfair to the hard work undertaken by the Debtor's management and professionals, both with respect to the KPMGCF plan proponent process and with respect to the process of resolving certain large contingent claims.

5. My understanding of the Creditors Committee's role in the KPMGCF marketing process, as observed by me first hand in meetings and on phone calls, and as conveyed to me repeatedly by

[1] Capitalized terms used but not otherwise defined in this declaration have the meanings given to those terms in the Reply Brief or in the Debtor's underlying Exclusivity Motion.

the Debtor's counsel, KPMGCF, and several of the potential plan proponents, is that the Creditors Committee has been nonresponsive, unreasonably demanding, and opaque throughout the process.

6. As reflected in three 9019 motions recently filed with the Court, the Debtor has resolved over $530 million of the contingent litigation claims against its estate. This favorable outcome was the result of months of hard work by the Debtor's management and professionals.

7. On April 28, 2009, I will attend a meeting of the Debtor's Board of Directors. At that meeting, the Board will consider, among other things, a draft "standalone" plan prepared by the Debtor's counsel. If the Board elects to proceed with that plan, the Debtor would strongly prefer to circulate the plan to the official committees, incorporate their input, and file the modified plan as a consensual one. The Debtor anticipates that it would need at least some further time to accomplish this result.

8. After weighing all relevant considerations, I strongly believe that sufficient "cause" exists to grant the Debtor an exclusivity extension and that such an extension will facilitate movement toward a fair and equitable resolution of this case, taking into account all the divergent interests involved.

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

Executed on April 28, 2009, at Brea, California.

DONALD E. ROYER

DECLARATION OF RICARDO S. CHANCE

I, Ricardo S. Chance, declare as follows:

1. I am over eighteen years of age, and I have personal knowledge of each of the facts stated in this declaration. If called as a witness, I could and would testify as to the matters set forth below based upon my personal knowledge.

2. I submit this declaration in support of *Fremont General Corporation's Reply Brief in Further Support of Its Third Motion for Order Extending the Exclusive Periods in Which Only the Debtor May File a Plan and Solicit Acceptances Thereto*.

3. I am a Managing Director and Group Head of the Special Situations Advisory Group of KPMG Corporate Finance LLC ("KPMGCF"), which has been retained as exclusive financial advisor for Fremont General Corporation, the debtor and debtor in possession in this chapter 11 case (the "Debtor"[1]), in conjunction with a contemplated transaction that could undergird a chapter 11 plan of reorganization.

4. I have 20 years of experience working as an investment banker and principal institutional investor in the context of bankruptcies and other special situations.

5. I personally led the KPMGCF marketing effort. In that regard, I have spent numerous hours corresponding with the Debtor, the Debtor's professionals, counsel to and members of both the Creditors Committee and the Equity Committee, and all of the potential plan proponents located by KPMGCF.

6. I have reviewed the objection the Creditors

[1] Capitalized terms used but not otherwise defined in this declaration have the meanings given to those terms in the Reply Brief or in the Debtor's underlying Exclusivity Motion.

Committee filed to the Debtor's Exclusivity Motion. I do not believe that pleading fairly presents the facts. Indeed, I believe that pleading is grossly unfair to the hard work undertaken by the Debtor's management and professionals with respect to the KPMGCF plan proponent process.

7. Soon after the six proponents' proposals were provided to both official committees, the Debtor and KPMGCF sought to arrange in person meetings between the proponents (each of which was highly interested in presenting its qualifications and negotiating face-to-face) and the committees. I personally participated in those efforts. However, we immediately ran into problems with the Creditors Committee. Members of the Creditors Committee refused to meet with more than two of the proponents, refused to travel to the Debtor's headquarters in Brea for the meetings, and refused to arrange their schedules to accommodate the proponents. Notwithstanding this difficulty, the Debtor coordinated in person meetings with two of the proponents at the Debtor's counsel's offices in Los Angeles. I personally attended both meetings. Based upon my observations at those meetings, the tone and demeanor of certain of the Creditors Committee's representatives did not appear open to the confirmation of a plan that included a third-party proponent, notwithstanding the added value to be contributed by such a proponent.

8. Shortly after the initial two meetings, the Debtor and KPMGCF attempted to arrange further meetings with the other proponents. I personally participated in those efforts. Unfortunately, our requests for further in person meetings were rebuked by the Creditors Committee. The Debtor and KPMGCF also

sought further guidance from the Creditors Committee about what the Creditors Committee disliked about the various proposals. The Creditors Committee provided little guidance until March 11, 2009, when the Creditors Committee transmitted what can only be described as a "wish list" of terms to me and other individuals via e-mail.

9. One of the six potential proponents ("Proponent One") seemed willing to agree to many of the Creditors Committee's demands and asked the Debtor for permission to negotiate directly with the committee. The Debtor granted that request, but also asked the Creditors Committee to stay engaged in the process with the other five proponents. The Creditors Committee refused. Moreover, the Creditors Committee instructed Proponent One not to update the Debtor on the ongoing negotiations for several weeks.

10. Negotiations between the Creditors Committee and Proponent One occupied most of March and early April. During this period, I and other members of the Debtor's team were rebuked in our efforts to learn about the negotiations due to the Creditors Committee's requirement that its negotiations with Proponent One remain secretive. I was further advised by counsel for the Equity Committee that the Creditors Committee had essentially frozen any discussions with the Equity Committee after the committees reached an impasse regarding the appropriate postpetition interest rate. The only common thread in the plan process as of late March 2009 is that everyone – the Debtor, KPMGCF, the Equity Committee, and all of the proponents – was frustrated and confused by the Creditors Committee's unwillingness to openly participate in the process and negotiate in a timely fashion.

11. The Creditors Committee finally responded on April

6, 2009 by providing me and other members of the Debtor's team with a heavily redacted draft of a term sheet regarding negotiations as of that date with Proponent One and a form bidder term sheet that could be circulated to the remaining proponents (which contained many of the unreasonable terms from the March 11 "wish list").

12. On April 8, 2009, Theodore B. Stolman and I had a lengthy telephone call with counsel for the Creditors Committee, regarding the April 6 "Bidder TS." During that call, we raised a number of substantive legal and business issues about the "Bidder TS." Counsel for the Creditors Committee acknowledged the issues in the "Bidder TS" but advised that he would prefer not to convene a meeting of the Creditors Committee or its "plan negotiation subcommittee" to discuss the issues and revise the draft form term sheet. Rather, counsel advised that the Debtor and KPMGCF should distribute the "Bidder TS" to the proponents but advise that the Creditors Committee remained flexible about various aspects of that form Bidder TS.

13. The Debtor and KPMGCF immediately provided the Creditors Committee's "Bidder TS" to all of the proponents, noting the Creditors Committee apparent willingness to accept variations from the desired terms. I understand that three of the proponents responded by submitting further revised proposals by April 16 (the other three found the Creditors Committee's suggestions unreasonable). Those three proposals were transmitted to the Creditors Committee on April 17, 2009, and the Creditors Committee responded by dismissing them all out of hand. When Mr. Stolman and I inquired as to what was wrong with the proposals, the Creditors Committee's counsel initially refused to provide *any* substantive

response, and then pointed to a few more secondary topics of negotiation as being unacceptable, without making any counterproposal (notwithstanding the previous suggestion that variations from the "Bidder TS" were acceptable, and indeed *necessary*).

14. Notwithstanding the Creditors Committee's obvious disengagement from the plan proponent process, I understand that at least one of the proponents ("Proponent Two") is continuing to revise proposals and negotiate with the Creditors Committee. Indeed, as recently as April 27, 2009, Proponent Two was presenting revised proposals and the Creditors Committee was requesting the Debtor's comment on those proposals.

15. I understand that at least Proponent Two and potentially one or more of the other proponents continues to express interest in acting as a plan proponent. KPMGCF remains willing to facilitate the negotiation process, but I believe it will be difficult to conclude these plan proponent negotiations if the Debtor's exclusivity period is not extended for a short period.

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

Executed on April 28, 2009, at Costa Mesa, California.

RICARDO S. CHANCE

DECLARATION OF THEODORE B. STOLMAN

I, Theodore B. Stolman, declare as follows:

1. I am over eighteen years of age, and I have personal knowledge of each of the facts stated in this declaration. If called as a witness, I could and would testify as to the matters set forth below based upon my personal knowledge.

2. I submit this declaration in support of *Fremont General Corporation's Reply Brief in Further Support of Its Third Motion for Order Extending the Exclusive Periods in Which Only the Debtor May File a Plan and Solicit Acceptances Thereto*.

3. I am a senior shareholder at the law firm of Stutman, Treister & Glatt, P.C., co-reorganization counsel for Fremont General Corporation, the debtor and debtor in possession in this chapter 11 case (the "Debtor"[1]). I have practiced corporate bankruptcy and insolvency law in California for over 35 years.

4. Among my responsibilities as reorganization counsel for the Debtor is to evaluate plan proposals and advise the Debtor's management and Board of Directors about the feasibility of filing a chapter 11 plan of reorganization which includes added value for all stakeholders in this case.

5. I have actively attempted to facilitate a cooperative process in this case between the Official Creditors Committee and the Official Equity Committee to achieve confirmation of a consensual plan. I have also been very actively involved in the plan marketing process being coordinated by KPMGCF. Among other things, I have spent many hours meeting with, exchanging

[1] Capitalized terms used but not otherwise defined in this declaration have the meanings given to those terms in the Reply Brief or in the Debtor's underlying Exclusivity Motion.

emails and other correspondence with, and having telephone calls with employees of KPMGCF, employees of the Debtor, the six potential plan proponents and their outside advisors, and counsel for both official committees throughout the process.

6. I have reviewed the objection the Creditors Committee filed to the Debtor's Exclusivity Motion. I do not believe that pleading fairly presents the facts. Indeed, I believe that pleading is grossly unfair to the hard work undertaken by the Debtor's management and professionals, both with respect to the KPMGCF plan proponent process and with respect to the process of resolving certain large contingent claims.

7. Contrary to the repeated and consistently negative statements of the Creditors Committee, the KPMGCF marketing process successfully yielded six (6) potential plan proponents who KPMGCF determined were financially qualified and who submitted draft plan proposals by the February 15 deadline. Each proposal contemplated adding significant new value to the Debtor's estate.

8. Soon after the six proponents' proposals were provided to both official committees, the Debtor and KPMGCF sought to arrange in person meetings between the proponents (each of which was highly interested in presenting its qualifications and negotiating face-to-face) and the committees. I personally participated in those efforts. However, we immediately ran into problems with the Creditors Committee. Members of the Creditors Committee refused to meet with more than two of the proponents, refused to travel to the Debtor's headquarters in Brea for the meetings, and refused to arrange their schedules to accommodate the proponents. Notwithstanding this difficulty, the Debtor

coordinated in person meetings with two of the proponents at my firm's offices in Los Angeles. I personally attended both meetings. Based upon my observations at those meetings, the tone and demeanor of the Creditors Committee's counsel, the one member who attended in person, and the one member who participated by telephone did not appear open to the confirmation of a plan that included a third-party proponent, notwithstanding the added value contributed by such a proponent.

9. Shortly after the initial two meetings, the Debtor and KPMGCF attempted to arrange further meetings with the other proponents. I personally participated in those efforts. Unfortunately, our requests for further in person meetings were rebuked by the Creditors Committee. The Debtor and KPMGCF also sought further guidance from the Creditors Committee about what the Creditors Committee disliked about the various proposals. The Creditors Committee provided little guidance until March 11, 2009, when the Creditors Committee transmitted what can only be described as a "wish list" of terms to me and other individuals via e-mail. A true and correct copy of that March 11 correspondence is attached hereto as Exhibit "A."

10. Based upon my experience as a bankruptcy attorney, I believe that many of the items on the Creditors Committee's list are unreasonable and unjustifiable. Among other things, the security interest, interest rates, and payment terms recited on that list would not be available in a chapter 7 case or under a confirmable "standalone" plan. Notwithstanding the overreaching nature of the Creditors Committee's demands, KPMGCF and the Debtor provided the "wish list" to all of the proponents and advised that

the Debtor's professionals would remain available to help craft revised proposals.

11. One of the six potential proponents ("Proponent One") seemed willing to agree to many of the Creditors Committee's demands and asked the Debtor for permission to negotiate directly with the committee. The Debtor granted that request, but also asked the Creditors Committee to stay engaged in the process with the other five proponents. The Creditors Committee refused. Moreover, the Creditors Committee instructed Proponent One not to update the Debtor on the ongoing negotiations for several weeks.

12. Negotiations between the Creditors Committee and Proponent One occupied most of March and early April. During this period, I and other members of the Debtor's team were rebuked in our efforts to learn about the negotiations due to the Creditors Committee's requirement that its negotiations with Proponent One remain secretive. I was further advised by counsel for the Equity Committee that the Creditors Committee had essentially frozen any discussions with the Equity Committee after the committees reached an impasse regarding the appropriate postpetition interest rate. The only common thread in the plan process as of late March 2009 is that everyone – the Debtor, KPMGCF, the Equity Committee, and all of the proponents – was frustrated and confused by the Creditors Committee's unwillingness to openly participate in the process and negotiate in a timely fashion.

13. The Creditors Committee finally responded on April 6, 2009 by providing me and other members of the Debtor's team with a heavily redacted draft of a term sheet regarding negotiations as of that date with Proponent One and a form bidder term sheet that

could be circulated to the remaining proponents (which contained many of the unreasonable terms from the March 11 "wish list").

14. On April 8, 2009, Ricardo S. Chance and I had a lengthy telephone call with Jonathan Shenson of Klee, Tuchin, Bogdanoff & Stern, counsel for the Creditors Committee, regarding the April 6 "Bidder TS." During that call, we raised a number of substantive legal and business issues about the "Bidder TS." Mr. Shenson acknowledged the defects in the "Bidder TS" but advised that he would prefer not to convene a meeting of the Creditors Committee or its "plan negotiation subcommittee" to discuss the issues and revise the draft form term sheet. Rather, Mr. Shenson advised that the Debtor and KPMGCF should distribute the "Bidder TS" to the proponents but advise that the Creditors Committee remained flexible about various aspects of that form Bidder TS.

15. The Debtor and KPMGCF immediately provided the Creditors Committee's "Bidder TS" to all of the proponents, noting the Creditors Committee apparent willingness to accept variations from the desired terms. I understand that three of the proponents responded by submitting further revised proposals by April 16 (the other three found the Creditors Committee's suggestions unreasonable). Those three proposals were transmitted to the Creditors Committee on April 17, 2009, and the Creditors Committee responded by dismissing them all out of hand. When I and Mr. Chance from KPMGCF inquired as to what was wrong with the proposals, the Creditors Committee's counsel initially refused to provide *any* substantive response, and then pointed to a few more secondary topics of negotiation as being unacceptable, without making any counterproposal (notwithstanding the previous suggestion

that variations from the "Bidder TS" were acceptable, and indeed *necessary*).

16. Notwithstanding the Creditors Committee's obvious disengagement from the plan proponent process, I understand that at least one of the proponents ("Proponent Two") is continuing to revise proposals and negotiate with the Creditors Committee. Indeed, as recently as April 27, 2009, Proponent Two was presenting revised proposals and the Creditors Committee was requesting the Debtor's comment on those proposals.

17. During the week of April 19-25, 2009, I personally had telephonic conversations with Mr. Shenson, counsel for the Creditors Committee. During those calls, I advised Mr. Shenson that the Debtor was prepared to discuss the terms of a "standalone" plan with both official committees following consideration of the current working draft of a plan by the Debtor's Board of Directors on April 28, 2009. I further suggested that a short, 15-day agreed extension of exclusivity may be an appropriate method by which to allow the committees and their advisors to review and comment on the Debtor's current working draft of a "standalone" plan. Finally, I requested that the Creditors Committee provide the Debtor with copies of the various plan-related materials on which it had been working so the Debtor could incorporate such materials into its draft "standalone" plan. Mr. Shenson advised that he would discuss these issues with the Creditors Committee and get back to me.

18. On April 23, 2009, I sent a letter to counsel for the Creditors Committee renewing the requests described in the previous paragraph. A copy of that letter is attached hereto as

Exhibit "B" – it has been redacted to remove Proponent Two's name.

19. On April 24, 2009, counsel for the Creditors Committee responded to my letter of April 23, 2009. A copy of that responsive letter is attached hereto as Exhibit "C" – it has also been redacted to remove the name of Proponent Two.

20. On April 28, 2009, I will attend a meeting of the Debtor's Board of Directors. At that meeting, the Board will consider, among other things, a draft "standalone" plan prepared by the Debtor's counsel. If the Board elects to proceed with that plan, the Debtor would strongly prefer to circulate the plan to the official committees, incorporate their input, and file the modified plan as a consensual one. Based upon my experience as a bankruptcy attorney, I anticipate that the Debtor would need at least some further time to accomplish this result.

21. In my professional judgment, lifting exclusivity at this time would likely result in extraordinary legal expenses and other costs being incurred in this case, because such a decision would probably lead to a contest that could very well involve three or more competing plans and much associated litigation. So long as the Debtor retains plan exclusivity, these added costs will not be incurred.

22. After weighing all relevant considerations, I strongly believe that sufficient "cause" exists to grant the Debtor an exclusivity extension and that such an extension will facilitate movement toward a fair and equitable resolution of this case, taking into account all the divergent interests involved.

///

///

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

Executed on April 27, 2009, at Los Angeles, California.

THEODORE B. STOLMAN

Exhibit "A"

Stolman, Theodore B.

From: Jonathan S. Shenson [jshenson@KTBSLAW.com]

Sent: Wednesday, March 11, 2009 9:42 AM

To: Chance, Ricardo; Stolman, Theodore B.

Cc: Lee R. Bogdanoff; Brian M. Metcalf; david@tennenbaumcapital.com; steve.wilson@tennenbaumcapital.com; Seth Hamot

Subject: Fremont

CONFIDENTIAL COMMUNICATION

Rick:

As we discussed, based on the feedback we continue to give the two plan proponents (that we have had an opportunity to meet with), the Debtor and KPMG should have a very clear understanding of what any third party plan proponent will need to propose in order to obtain the Creditors' Committee's support. While, thus far, we have encouraged you and the Debtor to provide this information to the other bidders; based on some recent discussions I have had with other bidders, it is clear that some of the bidders are not getting this information in real time. To that end, on behalf of the the Creditors' Committee's plan negotiating sub-committee (the "subcommittee"), here again are the key structural and business issues which the subcommittee believes any proposal would need to include (or exclude, as the case may be) in order to obtain the Creditors' Committee's support at this point time (based on the facts and circumstances as they exist today). We ask that you forward this email on to each of the bidders (other than the two we have met with) and indicate to them that I will make myself available to answer any questions. For the avoidance of doubt, this list is not exhaustive of all the issues that would be the subject of negotiations.

Here is the list:

1) An at risk deposit of $1.25 million, provided the Plan also provides for a standalone plan on terms no less favorable to creditors than that which was filed with the Court (per the term sheet that accompanied its objection to exclusivity), absent the committee's consent. The standalone plan would take effect if and when the successful bidder and any back up bidder were to back out. The Debtor and Plan Proponent could not pull the Plan without the consent of the Creditors' Committee (and if they chose not to prosecute it, the Creditors' Committee could). If such a plan is not specified, then the at risk deposit must be no less than $2.25 million.

2) A break up fee and overbid protections upon execution of definitive documents.

3) The Plan Proponent will only be entitled to a breakup fee in the event there is an overbidder, and plan by the overbidder is confirmed and goes effective.

4) Structure, Source of Payments: There would be a creditor trust established. In addition to the cash in the estate as of the Effective Date, the creditor trust would be funded with any cash contribution to be made by the Plan Proponent (for the equity in the Reorganized Debtor) and would also receive the benefit (via an irrevocable assignment) of any dividends and other amounts which would otherwise go to FGCC and the Reorganized Debtor. In the first instance, creditors would be paid with funds in the creditor trust.

5) The downstroke / cash contribution: While this a significant issue, it is the subcommittee's view that it needs to get comfort on the other issues rather than negotiating a number at this point. Ideally the subcommittee would want to see the auction occur in which the only issue is the cash down payment--and all of the rest of the terms are the same.

6) Treatment of the New Senior Notes: There should be a one year maturity, though perhaps a longer maturity (no more than two years) would be acceptable if there were substantial amortization payments during the term. Post-petition, pre-confirmation interest TBD. With regard to the post-effective interest rate (assuming a one year

maturity): interest at 12% for the first 4 months following the effective date of the Plan, which would increase by 2% per annum every 4 months unless, in the preceding 4 months, the Senior Notes have received at least $30 million in principal payments. The 2% increases would be cumulative.

7) Treatment of the TOPrS: The TOPrS should have no more than a five year maturity, with post-confirmation interest to accrue at 6 percent for the first two years, and then 9 percent for the remaining three. Post-petition, preconfirmation interest TBD. A commitment by the plan proponent to purchase up to [xxx]% of the TOPrS at a price to be negotiated. After the Senior Notes are paid in full, the interest on the notes would be cash pay.

8) Treatment of non-note claims: They need to be paid upon the later of (a) allowance and (b) the maturity date for the senior notes. Interest rate to be the rate specified under applicable non-bankruptcy law, if any, and, in absence of any such rate, the federal judgment rate.

9) Control: If there is a default on the senior notes, the senior note holders and non-TOPr creditors take can replace a majority of the board and take over control of the claims process by putting in its own designee to deal with claims. After the senior notes are paid off, in the event of a default on any obligation to creditors, the TOPrS and other creditors can replace a majority of the board and take control of the claims process.

10) Security: All of the obligations to creditors need to be secured by all assets of FGC, including the stock of and FRC as well as the Creditor Trusts' interest in and to the assignment of dividends and other rights and interests in favor of the Creditor Trust, as well as the equity interest of the Plan Proponent in the Reorganized Debtor. There would also need to be protections put in place to protect the assets at the FRC level to ensure that creditors from the post-effective date operation of FRC do not have recourse against these assets, and that the cash and other value at the FRC level is promptly upstreamed.

11) The creditors would control the affirmative litigation.

12) Management fees and other fees to plan proponent etc. payable only after creditors have been paid in full.

Thanks.

Jonathan S. Shenson
Klee, Tuchin, Bogdanoff & Stern LLP
1999 Avenue of the Stars
Thirty-Ninth Floor
Los Angeles, CA 90067-6049
Telephone: (310) 407-4000 Fax: (310) 407-9090
Direct: (310) 407-4075
E-mail: JShenson@ktbslaw.com
Web: <http://www.ktbslaw.com>

herein.
++++++++++++++++++++++++

Exhibit "B"

LAW OFFICES
STUTMAN TREISTER & GLATT
PROFESSIONAL CORPORATION

1901 Avenue of the Stars
Twelfth Floor
Los Angeles, California
90067-6013

Telephone: (310) 228-5600
Facsimile: (310) 228-5788

Writer's Direct Number:
(310) 228-5650

April 23, 2009

Jonathan S. Shenson
Klee, Tuchin, Bogdanoff & Stern LLP
1999 Avenue of the Stars, 39th Floor
Los Angeles, CA 90067

Re: Fremont General Corporation.

Dear Jonathan:

I write to follow up on a call we had last week regarding the Debtor's third motion to further extend plan exclusivity. At the time, I advised you that rather than having a fight over plan exclusivity on April 30th, the parties should agree to continue the hearing for 15 days to allow the Debtor to circulate a draft liquidating plan if it was clear that a plan proponent transaction is no longer a viable possibility. I further advised you that the Debtor would not be in a position to circulate such a draft liquidating plan until after the Board meeting on April 28th. You advised me that you needed to check with the Creditors Committee about this issue.

We have now received the Committee's opposition to our third exclusivity motion and request that you clarify whether the Committee is willing to continue the plan exclusivity hearing for 15 days with the understanding that the Debtor will circulate drafts of a liquidating or "standalone" plan and related disclosure statement shortly after the Board meeting. We believe this accommodation makes sense since it will afford an opportunity to see if consensus can be reached for proceeding with a joint plan assuming there *truly* is no support for a proponent plan (which may or may not be the case given the ongoing discussions taking place with [redacted] and the interest other proponents have shown in further reengaging with the Committee).

You also indicated that while the Committee has not prepared a full draft of its plan or disclosure statement, the Committee has done some work and has plan-related materials beyond the short term sheet you filed in January 2009. We asked that you share that material with us so it can be considered in connection with the Debtor's plan, and renew that request here.

I would appreciate a prompt response given the timing of the hearing.

Sincerely,

Ted Stolman /WLH

Theodore B. Stolman

Exhibit "C"

Klee,
Tuchin,
Bogdanoff &
Stern
LLP

1999 Avenue of the Stars
Thirty-Ninth Floor
Los Angeles, California 90067

Voice: 310-407-4000
Fax: 310-407-9090
www.ktbslaw.com

E-mail: jshenson@ktbslaw.com
Direct Dial: 310-407-4075

April 24, 2009

VIA ELECTRONIC MAIL

Theodore B. Stolman, Esq.
Stutman, Treister & Glatt P.C.
1901 Avenue of the Stars
Twelfth Floor
Los Angeles, CA 90067-6013

Re: Fremont General Corporation

Dear Ted:

I am in receipt of your letter dated April 23, 2009.

The Creditors' Committee does not believe at this time that continuing the hearing on the exclusivity yet again is appropriate under the circumstances.

You indicate that the purpose of the continuance is to "allow the Debtor to circulate a draft liquidating plan," but the Creditors' Committee has been asking the Debtor for many months to produce such a draft plan, at least in order to be prepared to move this case forward in the event the plan proponent search process did not succeed. Notwithstanding these requests, the Debtor has refused to do so, and now you indicate that a *draft* cannot be supplied until after a board meeting scheduled for April 28, 2009 and that, as a result the exclusivity hearing should be continued for fifteen days. This is just not reasonable.

You also state that "this accommodation makes sense because it will afford an opportunity to see if consensus can be reached for proceeding with a joint plan," but the Debtor has shown no interest in reaching agreement with the Creditors' Committee on the terms of a standalone plan. Except for brief conversations shortly before the filing of exclusivity motions, the Debtor has not even attempted to discuss or negotiate the terms of a plan with the Creditors' Committee. If the Debtor truly intended to make any progress on a consensual standalone plan, it would have done so a long time ago.

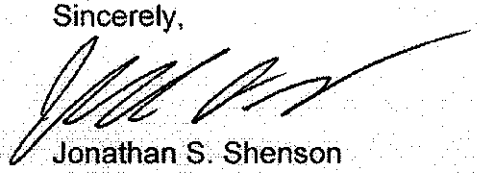
As noted in my letter yesterday to Rick Chance, the Creditors' Committee did receive a revised term sheet from [redacted] and, as you know, has asked the Debtor to specifically advise as to its position on three elements of that revised proposal. There is

no need to wait until fifteen days after the scheduled exclusivity hearing to find out whether this revised proposal has any merit. The Creditors' Committee is moving quickly to determine whether this bid has any merit, and your prompt response to my inquiry will help expedite matters.

With respect to your request for drafts of the plan related materials prepared by counsel for the Creditors' Committee, it is not clear why the Debtor now needs these materials in order to "be considered in connection with the Debtor's plan." The Debtor has had exclusivity for months and months. The Debtor has had a copy of the plan term sheet prepared by the Creditors' Committee since January, and we have been asking for a draft plan and disclosure statement from the Debtor since the fall. Our term sheet contains fundamental information regarding the standalone plan supported by the Creditors' Committee. We are more than willing to answer any questions the Debtor may have about that plan or its structure.

As I requested in my correspondence to Mr. Chance yesterday, if the Debtor determines to submit your letter to the Court in conjunction with the upcoming hearing on the third exclusivity motion, I request that the Debtor include this response, so that we need not file it separately and so that the Court will have a complete record of our exchange on this matter. As you are aware, the Debtor has filed with the Court letters to my firm, but not our responses.

Sincerely,



Jonathan S. Shenson

JSS/jn

In re: Fremont General Corp.,	CHAPTER 11
Debtor(s).	CASE NUMBER 8:08-bk-13421-ES

NOTE: When using this form to indicate service of a proposed order, **DO NOT** list any person or entity in Category I. Proposed orders do not generate an NEF because only orders that have been entered are placed on the CM/ECF docket.

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is: 1901 Avenue of the Stars, 12th Floor, Los Angeles, CA 90067.

The foregoing document described **FREMONT GENERAL CORPORATION'S REPLY BRIEF IN FURTHER SUPPORT OF ITS THIRD MOTION FOR ORDER EXTENDING THE EXCLUSIVE PERIODS IN WHICH ONLY THE DEBTOR MAY FILE A PLAN AND SOLICIT ACCEPTANCES THERETO; DECLARATIONS OF DONALD E. ROYER, RICARDO S. CHANCE, AND THEODORE B. STOLMAN IN SUPPORT THEREOF** will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner indicated below:

I. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF") – Pursuant to controlling General Order(s) and Local Bankruptcy Rule(s) ("LBR"), the foregoing document will be served by the court via NEF and hyperlink to the document. On April 28, 2009, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following person(s) are on the Electronic Mail Notice List to receive NEF transmission at the email address(es) indicated below:

See following page.

☒ Service information continued on attached page

II. SERVED BY U.S. MAIL OR OVERNIGHT MAIL(indicate method for each person or entity served)**:**
On April 28, 2009, I served the following person(s) and/or entity(ies) at the last known address(es) in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States Mail, first class, postage prepaid, and/or with an overnight mail service addressed as follows. *Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.*

See following page.

☒ Service information continued on attached page

III. SERVED BY PERSONAL DELIVERY, FACSIMILE TRANSMISSION OR EMAIL (indicate method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on_____ I served the following person(s) and/or entity(ies) by personal delivery, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. *Listing the judge here constitutes a declaration that personal delivery on the judge will be completed no later than 24 hours after the document is filed.*

☐ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

04/28/2009	Melissa Altamirano	*/s/ Melissa Altamirano*
Date	*Type Name*	*Signature*

In re: Fremont General Corp.,	CHAPTER 11
Debtor(s).	CASE NUMBER 8:08-bk-13421-ES

SERVICE BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF")

Kristen N Beall kbeall@pattonboggs.com, bmcilwain@pattonboggs.com

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United States Trustee (SA) ustpregion16.sa.ecf@usdoj.gov

Alan Z Yudkowsky ayudkowsky@stroock.com

Scott H Yun syun@stutman.com

In re: Fremont General Corp.,	CHAPTER 11
Debtor(s).	CASE NUMBER 8:08-bk-13421-ES

SERVICE BY U.S. MAIL

Fremont General Corporation
2727 E. Imperial Highway
Brea, CA 92821-6713
Attention: General Counsel

Fremont Investment & Loan
2727 East Imperial Highway
Brea, CA 92821-6713
Attention: General Counsel

John Thomas Gilbert
John W. Schryber
Robert W. Jones
PATTON BOGGS LLP
2001 Ross Avenue, Suite 3000
Dallas, TX 75201-8001

United States Trustee
411 West Fourth Street, Suite 9041
Santa Ana, CA 92701-4593

Internal Revenue Service
P.O. Box 21126
Philadelphia, PA 19114

U.S. Department of Justice Tax Division
Civil Trial Section, Western Region
P. O. Box 683
Ben Franklin Station
Washington, DC 20044

United States Attorney's Office Tax Division
Federal Building, Room 7211
300 North Los Angeles Street
Los Angeles, CA 90012

Securities Exchange Commission
5670 Wilshire Boulevard, 11th Floor
Los Angeles, CA 90036

Employment Development Department
Bankruptcy Group MIC 92E
P. O. Box 826880
Sacramento, CA 94280-0001

Franchise Tax Board
Attention: Bankruptcy
P. O. Box 2952
Sacramento, CA 95812-2952

Wells Fargo Bank N.A.
Attn: Keith Endersen
350 W. Colorado Blvd., Suite 210
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In re: Fremont General Corp.,	CHAPTER 11
Debtor(s).	CASE NUMBER 8:08-bk-13421-ES

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In re: Fremont General Corp.,	CHAPTER 11
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