

FLAGSTAR BANCORP INC
Form PRE 14A
April 20, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

FLAGSTAR BANCORP, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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April 30, 2010

To our stockholders:

We invite you to attend our Annual Meeting of Stockholders of Flagstar Bancorp, Inc. to be held at the national headquarters of the Company, 5151 Corporate Dr., Troy, Michigan on May 27, 2010 at 10:00 a.m., local time.

Enclosed are a notice setting forth the business expected to come before the Annual Meeting, the Proxy Statement, the Proxy Card, and a copy of our Annual Report to Stockholders for 2009. Many of our directors and officers as well as representatives of Baker Tilly Virchow Krause, LLP, our independent registered public accountants for 2009, will be present to respond to questions that you may have.

Please read the attached Proxy Statement carefully for information about the matters you are being asked to consider and vote upon. Your vote is very important to us. On behalf of the Board of Directors, we urge you to sign, date and return the enclosed proxy as soon as possible, even if you currently plan to attend the Annual Meeting. This will not prevent you from voting in person, but will assure that your vote is counted if you are unable to attend the Annual Meeting.

Thank you for your continuing support.

Sincerely,

/s/ Joseph P. Campanelli
Joseph P. Campanelli
Chairman, President and Chief Executive
Officer

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FLAGSTAR BANCORP, INC.
5151 CORPORATE DR.
TROY, MI 48098
(248) 312-2000

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 27, 2010

NOTICE IS HEREBY GIVEN that the 2010 Annual Meeting of Stockholders (the Annual Meeting) of Flagstar Bancorp, Inc. (the Company) will be held on May 27, 2010 at 10:00 a.m., local time, at the national headquarters of the Company, 5151 Corporate Dr., Troy, Michigan.

A proxy card and a proxy statement for the Annual Meeting are enclosed. We are also enclosing a copy of our 2009 Annual Report to Stockholders.

The Annual Meeting is for the purpose of considering and acting upon the following matters:

1. to elect two directors to the Board of Directors to hold office for a term of one year and until their successors shall have been duly elected and qualified;
2. to approve an amendment to the Company s Amended and Restated Articles of Incorporation to effect a reverse stock split within a range of one-for-five and one-for-fifteen, with the exact exchange ratio and timing of the reverse stock split (if at all) to be determined at the discretion of the Board of Directors;
3. to ratify the appointment of Baker Tilly Virchow Krause, LLP as the Company s independent registered public accountants for the year ending December 31, 2010;
4. to consider and approve an advisory (non-binding) proposal relating to the executive pay-for-performance compensation employed by the Company; and
5. to transact such other business as may properly come before the Annual Meeting or any adjournments thereof.

NOTE: The Board of Directors is not aware of any other business to come before the Annual Meeting.

The Board of Directors recommends that stockholders vote FOR all of the proposals.

Any action may be taken on any one of the foregoing proposals at the Annual Meeting on the date specified above or on any date or dates to which, by original or later adjournments, the Annual Meeting may be adjourned. Stockholders of record of our common stock at the close of business on April 16, 2010, will be entitled to notice of and vote at the Annual Meeting and any adjournments or postponements thereof. A complete list of stockholders entitled to vote will be available for inspection at the Annual Meeting.

You are requested to fill in and sign the enclosed form of proxy, which is solicited by the Board of Directors and to mail it promptly in the enclosed envelope. The proxy will not be used if you attend and choose to vote in person at the Annual Meeting.

BY ORDER OF THE BOARD OF
DIRECTORS

/s/ Christine M. Reid
Christine M. Reid
Secretary

Troy, Michigan
April 30, 2010

It is important that proxies be returned promptly. Therefore, whether or not you plan to be present in person at the Annual Meeting, please sign, date, and complete the enclosed proxy card and return it in the enclosed envelope. No

postage is required if mailed in the United States.

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PROXY STATEMENT
OF
FLAGSTAR BANCORP, INC.
5151 CORPORATE DR.
TROY, MI 48098
(248) 312-2000

ANNUAL MEETING OF STOCKHOLDERS

May 27, 2010

This proxy statement (Proxy Statement) and the enclosed Proxy Card are furnished in connection with the solicitation of proxies by the Board of Directors (the Board) of Flagstar Bancorp, Inc. (the Company). They will be used at the 2010 Annual Meeting of Stockholders of the Company (the Annual Meeting), that will be held on May 27, 2010 at 10:00 a.m., local time, at the national headquarters of the Company and Flagstar Bank, fsb (the Bank), 5151 Corporate Dr., Troy, Michigan. The accompanying Notice of Annual Meeting, this Proxy Statement, and the Proxy Card are being first mailed to stockholders entitled to vote at the Annual Meeting on or about April 30, 2010. As used in this Proxy Statement, the terms we, us, and our refer to the Company.

QUESTIONS AND ANSWERS

Why am I receiving these materials?

The Board is providing these proxy materials to you in connection with the Annual Meeting to be held on May 27, 2010. As a stockholder of record of our common stock on the Record Date, you are invited to attend the Annual Meeting, and are entitled and requested to vote on the items of business described in this Proxy Statement. Many of our directors and officers, as well as representatives of Baker Tilly Virchow Krause, LLP, our independent registered public accountants for 2009, will be present to respond to questions that you may have.

What information is contained in this Proxy Statement?

This information relates to the proposals to be voted on at the Annual Meeting, the voting process, compensation of our directors and most highly paid executives, and certain other information required to be disclosed in this Proxy Statement.

Who is soliciting my vote pursuant to this Proxy Statement?

The Board is soliciting your vote at the Annual Meeting.

Who is entitled to vote?

Only stockholders of record of our common stock at the close of business on April 16, 2010 (the Record Date) will be entitled to notice of and vote at the Annual Meeting.

How many shares are eligible to be voted?

As of the Record Date, we had 1,532,786,952 shares of common stock outstanding and entitled to vote. Each outstanding share of common stock will entitle its holder to one vote on each matter to be voted upon at the Annual Meeting. For information regarding security ownership by the beneficial owners of more than 5% of the common stock and by management, see SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS and SECURITY OWNERSHIP OF MANAGEMENT.

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What am I voting on?

You are voting on each of the following matters:

1. to elect two directors to the Board. Our nominees are Joseph P. Campanelli and James A. Ovenden. All nominees are current directors, and each will serve a term of one year. No other nominations have been received;
2. to approve an amendment to our Amended and Restated Articles of Incorporation (the Articles) to authorize the effectuation of a reverse stock split of our authorized, issued and outstanding common stock (the Reverse Stock Split);
3. to ratify the appointment of Baker Tilly Virchow Krause, LLP as our independent registered public accountants for the year ending December 31, 2010; and
4. to consider and approve an advisory (non-binding) proposal relating to the executive pay-for-performance compensation employed by us.

You will also be entitled to vote on any other business that properly comes before the Annual Meeting or any adjournments thereof.

How does the Board recommend that I vote?

The Board unanimously recommends that you vote FOR each of the proposals presented at the Annual Meeting.

How many votes are required to hold the Annual Meeting and what are the voting procedures?

Quorum Requirement: Michigan law and our Sixth Amended and Restated Bylaws (the Bylaws) provide that a quorum be present to allow any stockholder action at a meeting. A quorum consists of a majority of all of our outstanding shares of common stock that are entitled to vote at the Annual Meeting. Therefore, at the Annual Meeting, the presence, in person or by proxy, of the holders of at least 766,393,477 shares of common stock will be required to establish a quorum. Stockholders of record who are present at the Annual Meeting in person or by proxy, but who abstain from voting are still counted towards the establishment of a quorum. This will include brokers holding customers' shares of record even though they may abstain from certain votes.

Required Votes: Each outstanding share of common stock is entitled to one vote on each proposal at the Annual Meeting. The number of required votes set forth below assumes that a quorum is present at the Annual Meeting.

1. *Election of Directors.* Each director nominee shall be elected by the majority of the number of votes cast with respect to the director. For purposes of the election of directors, a majority of the votes cast means that the number of shares voted FOR a director must exceed the number of votes cast AGAINST that director.
2. *Amend the Articles to effect the Reverse Stock Split.* The proposal will be approved by the affirmative vote of a majority of all outstanding shares of common stock. Failure to vote, broker non-votes and abstentions will have the same effect as a vote against this proposal.
3. *Ratification of Independent Registered Public Accountants.* The action will be approved if a majority of shares of common stock represented at the Annual Meeting, either in person or by proxy, and entitled to vote are cast for it. Failure to vote and broker non-votes will have no effect because these shares will not be considered shares entitled to vote and therefore will not be counted as votes for or against. However, abstentions will have the same effect as voting against the approval of this proposal.
4. *Consideration and Approval of the Non-binding Proposal Relating to Executive Pay-For-Performance Compensation.* The action will be approved if a majority of the shares of common stock represented at the Annual Meeting, either in person or proxy, entitled to vote are cast for it. Failure to vote and broker non-votes will have no effect because these shares will not be considered shares entitled to vote and therefore will not be counted as votes for or against. However, abstentions will have the same effect as voting against the approval of this proposal.

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What is an abstention, and how will it affect the vote on a proposal?

An abstention occurs when the beneficial owner of shares is present, in person or by proxy, and entitled to vote at the meeting (or when a nominee holding shares for a beneficial owner is present and entitled to vote at the meeting), but such person does not vote on the particular proposal. For purposes of Proposals 1, 3 and 4, abstentions will not be counted as votes cast and will have no effect on the results of the vote with respect to such proposals, although abstentions will be considered present for the purpose of determining the presence of a quorum. Because Proposal 2 requires the affirmative vote of a majority of all outstanding shares of common stock, an abstention will have the same effect as a vote against the proposal.

What are broker non-votes, and how will they affect the vote on a proposal?

A broker non-vote occurs when a broker or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have the discretionary voting power with respect to that proposal and has not received instructions from the beneficial owner. Under the applicable rules of the New York Stock Exchange (NYSE), brokers or other nominees have discretionary voting power with respect to matters that are considered routine, but not with respect to non-routine matters. Proposals 1, 2 and 4 are considered non-routine matters and Proposal 3 is considered a routine matter. A broker or other nominee cannot vote without instructions on non-routine Proposals 1, 2 and 4, and therefore there may be broker non-votes on those proposals. Broker non-votes are not deemed to be votes cast for purposes of determining whether stockholder approval has been obtained. Therefore, broker non-votes will have no effect on the voting results for Proposals 1 or 4. Because approval of Proposal 2 requires the affirmative vote of a majority of all outstanding shares of common stock, a broker non-vote will have the same effect as a vote against this proposal.

How will our controlling stockholder vote?

Our controlling stockholder MP Thrift Investment L.P. (MP Thrift), which owns or controls approximately 69.2% of our voting power on the Record Date, has indicated their intention to vote in favor of all proposals.

How may I cast my vote?

If you are the stockholder of record: You may vote by one of the following two methods:

1. in person at the Annual Meeting; or
2. by mail by completing the Proxy Card and returning it.

Whichever method you use, the proxies identified on the Proxy Card will vote the shares of which you are the stockholder of record in accordance with your instructions. If you submit a signed Proxy Card without giving specific voting instructions, the proxies will vote the shares as recommended by the Board.

If you own your shares in street name, that is, through a brokerage account or in another nominee form: You must provide instructions to the broker or nominee as to how your shares should be voted. Your broker or nominee will usually provide you with the appropriate instruction forms at the time you receive this Proxy Statement and our Annual Report to stockholders. If you own your shares in this manner, you cannot vote in person at the Annual Meeting unless you receive a proxy to do so from the broker or the nominee, and you bring the proxy to the Annual Meeting.

How may I revoke or change my vote?

If you are the record owner of your shares, you may revoke your proxy at any time before it is voted at the Annual Meeting by:

1. submitting a new Proxy Card bearing a later date,
2. delivering written notice to our Secretary prior to May 27, 2010, stating that you are revoking your proxy, or
3. attending the Annual Meeting and voting your shares in person.

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If your shares are held in street name and you have instructed a broker, bank or other nominee to vote your shares of voting stock, you may revoke those instructions by following the directions received from your broker, bank or other nominee to change those instructions.

Please note that your attendance at the Annual Meeting will not, by itself, constitute revocation of your proxy.

Who is paying for the costs of this proxy solicitation?

We will bear the cost of preparing, printing and mailing the materials in connection with this solicitation of proxies. In addition to mailing these materials, our officers and regular employees may, without being additionally compensated, solicit proxies personally and by mail, telephone, facsimile or electronic communication. We usually will reimburse banks and brokers for their reasonable out-of-pocket expenses related to forwarding proxy materials to beneficial owners of stock or otherwise in connection with this solicitation.

Who will count the votes?

Danielle Tatum, our inspector of election for the Annual Meeting, will receive and tabulate the ballots and voting instruction forms.

What happens if the Annual Meeting is postponed or adjourned?

Your proxy will still be effective and may be voted at the postponed meeting. You will still be able to change or revoke your proxy until it is voted.

What happens if a nominee is unable to serve, new business is introduced or procedural matters are voted upon?

Your proxy confers discretionary authority on the persons named therein to vote with respect to the election of any person as a director where the nominee is unable to serve or for good cause will not serve, with respect to matters incident to the conduct of the Annual Meeting and with respect to any other matter presented to the Annual Meeting if notice of such matter has not been delivered to us in accordance with our Articles. For more information on submitting matters to us, see STOCKHOLDER PROPOSALS FOR THE 2011 ANNUAL MEETING herein. If any other matters are properly brought before the Annual Meeting, the persons named in the proxy will vote the shares represented by such proxies on such matters as determined by a majority of the Board. Except for procedural matters incident to the conduct of the Annual Meeting, we do not know of any other matters that are to come before the Annual Meeting.

**PROPOSAL 1
ELECTION OF DIRECTORS**

The Board is currently composed of ten directors. At this Annual Meeting, the terms of two of the current directors Joseph P. Campanelli and James A. Ovenden will expire. The Board has nominated each of them to serve for a new one-year term and until their respective successors are duly elected and qualified.

Because our stockholders approved an amendment to the Articles at our 2009 Annual Meeting of Stockholders to delete the requirement to divide the Board into two classes of directors, beginning with our Annual Meeting of Stockholders in 2011, all director nominees will be elected for one-year terms or until their successors are duly elected and qualified.

It is intended that the persons named in the proxies solicited by the Board will vote for the election of each of these nominees. If the nominee is unable to serve, the shares represented by all properly executed proxies which have not been revoked will be voted for the election of such substitute as the Board may recommend, or the size of the Board may be reduced to eliminate the vacancy. At this time, the Board does not know of any reason why any nominee might be unable to serve.

The Board recommends a vote FOR election as directors of all of the nominees listed below.

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The following table sets forth, for the nominees and each continuing director, his or her name, that person's age as of the Record Date, the year he or she first became our director and the expiration of his or her current term. Each of the nominees listed below has consented to serve if elected.

Director Nominees

Name	Age as of the Record Date	Year First Elected Director of the Company	Current Term To Expire
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Board Nominees for Terms to Expire in 2011

Joseph P. Campanelli	55	2009(1)	2010
James A. Ovenden	47	2010(1)	2010

Directors Continuing in Office

David J. Matlin	48	2009	2011
Mark Patterson	58	2009	2011
Gregory Eng	44	2009	2011
James D. Coleman	63	1993	2011
Lesley Goldwasser	48	2009	2011
David L. Treadwell	55	2009	2011
Jay J. Hansen	46	2005	2011
Walter Carter	59	2009	2011

- (1) Messrs. Campanelli and Ovenden were not previously elected, but instead were appointed to fill vacancies on the Board.

The following sets forth the business experience of each director nominee.

Joseph P. Campanelli has served as a member of the Board since September 29, 2009 and as Chairman of the Board since November, 2009. Mr. Campanelli was President and Chief Executive Officer and a member of the Board of Directors of Sovereign Bancorp, Inc. and Sovereign Bank until September 30, 2008. From October 1, 2008 until joining Flagstar, Mr. Campanelli advised various investment groups on banking matters. Mr. Campanelli originally joined Sovereign Bank in 1997 when it acquired Fleet Financial Group's indirect auto lending business, which he headed. He became President and Chief Operating Officer of Sovereign's New England Division in 1999 when Sovereign Bank acquired 268 branches that Fleet divested after its merger with Bank Boston Corp. Mr. Campanelli played an active role in the branch acquisition and integration, which at the time was the largest branch and business divestiture in U.S. banking history. Mr. Campanelli played a key leadership role in the transformation of Sovereign Bank from a \$10 billion thrift to an \$80 billion super community bank. Prior to his employment by Sovereign, Mr. Campanelli spent nearly 20 years serving in a variety of senior and executive positions, overseeing commercial and community activities and problem asset resolution, with both Fleet Financial Group and Shawmut Bank. He began his banking career in Hartford, Connecticut in 1979. Mr. Campanelli's experience transforming a traditional regional thrift into a full service bank provides invaluable expertise to the Board. Moreover, Mr. Campanelli's day to

day leadership and intimate knowledge of our business and operations provide the Board with company-specific experience and expertise.

James A. Ovenden has served as a member of the Board since January, 2010. Mr. Ovenden is currently Chief Financial Officer of AstenJohnson Holdings LTD, a manufacturer of paper machine clothing, specialty fabrics, filaments and drainage equipment. Mr. Ovenden was previously a founding principal of OTO Development, Inc., a hospitality development company, and retired as CFO effective December 31, 2007. Prior to that, he served as the Chief Financial Officer, Secretary and Treasurer of Extended Stay America, Inc. from January 2004 until May 2004, when the company was sold. Mr. Ovenden is also the principal consultant with CFO Solutions of SC, LLC, a financial consulting business for middle market companies requiring credit restructuring advisory services. Mr. Ovenden also serves as a director and chairman of the audit committees of The Polymer Group and Insight Health Services Holdings Corp. Mr. Ovenden's experience and expertise in other public companies' financial and audit matters programs and policies provide the Board with invaluable expertise in these areas.

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The following sets forth the business experience of each continuing director.

David J. Matlin has served as a member of the Board since 2009. Mr. Matlin is the Chief Executive Officer of MatlinPatterson Global Advisers LLC, a \$9.0 billion private equity firm, which he co-founded in July 2002. Prior to forming MatlinPatterson, Mr. Matlin was a Managing Director at Credit Suisse First Boston, and headed their Distressed Securities Group since its inception in 1994. Mr. Matlin was also a Managing Director and a founding partner of Merrion Group, L.P., a successor to Scully Brothers & Foss L.P., from 1988 to 1994. Mr. Matlin serves on the board of directors of Global Aviation Holdings and Standard Pacific Corp. Mr. Matlin holds a JD degree from the Law School of the University of California at Los Angeles and a BS in Economics from the Wharton School of the University of Pennsylvania. Mr. Matlin's background in distressed companies and his experience serving on several public company boards, including in the mortgage industry, brings extensive leadership, risk assessment skills and public company expertise to the Board. Moreover, Mr. Matlin is a controlling member of MP Thrift, and as such, he provides the Board with the perspective of a major shareholder.

Mark Patterson has served as a member of the Board since 2009. Mr. Patterson is the Chairman of MatlinPatterson Global Advisers LLC, a \$9.0 billion private equity firm, which he co-founded in July 2002. Mr. Patterson is also a Director of Broadpoint Securities Group, Inc., Polymer Group, Inc., and Allied World Assurance Holdings, Ltd.. Mr. Patterson has over 30 years of commercial, investment and merchant banking experience. Prior to the formation of MatlinPatterson Global Advisers LLC, Mr. Patterson was a Managing Director at Credit Suisse First Boston, where he served as Vice Chairman from 2000 to 2002. Mr. Patterson holds a BA (Law) 1972 and a BA Honors (Economics) 1974 from South Africa's Stellenbosch University and an MBA (with distinction) 1986 from New York University's Stern School of Business. Mr. Patterson's background in distressed companies and his experience serving on several public company boards, including in the mortgage industry, brings extensive leadership, risk assessment skills and public company expertise to the Board. Moreover, Mr. Patterson is a controlling member of MP Thrift and, as such, he provides the Board with the perspective of a major shareholder.

Gregory Eng has served as a member of the Board since 2009. Mr. Eng is a Partner at MatlinPatterson Global Advisers LLC, which he joined in August 2002. Mr. Eng holds a master's degree in business administration from London Business School and his undergraduate degree from Lafayette College. Mr. Eng's experience as the Partner in charge of MP Thrift's investment in us, brings a combined intimate knowledge of our business and operations with the perspective of a major shareholder.

Dr. James D. Coleman has served as a member of the Board since 1993. He is a board certified physician who owned and operated several Emergency Room Staffing Companies prior to his retirement in 1997. Dr. Coleman's long-standing history with us provides the Board with an invaluable resource for understanding us and our operations.

Lesley Goldwasser has served as a member of the Board since 2009. Ms. Goldwasser is a partner at Irving Place Capital, which she joined in 2008, focusing on new business development. From 1996 to 2008, Ms. Goldwasser was a senior managing director at Bear Stearns & Co. Inc. and head of Global CDO's, co-head of Equity Capital, Markets, Debt Capital Markets, Hybrids, and Structured Solutions, and co-head of Asset-Backed Securities. Ms. Goldwasser is a graduate of the University of Cape Town. Ms. Goldwasser's experience in the collateralized debt obligations and asset-backed securities markets is invaluable to the Board as we work through the remaining issues with our legacy assets.

David L. Treadwell has served as a member of the Board since 2009. Mr. Treadwell has been President and Chief Executive Officer of EaglePicher Corporation, a \$600 million diversified industrial products company, since August 2006, was Chief Operating Officer from November 2005 until August 2006, and was a division president from July 2005 until November 2005. From August 2004 until March 2005, Mr. Treadwell was Chief Executive Officer of Oxford Automotive, a \$1 billion Tier 1 automotive supplier of stampings and welded assemblies, and from 2002 until August 2004, Mr. Treadwell provided business consulting services. Mr. Treadwell received his undergraduate degree from the University of Michigan. With his experience as the principal executive officer of a large Michigan corporation, Mr. Treadwell provides valuable insight and guidance on the issues of corporate strategy and risk management, particularly as to his expertise and understanding of the Michigan market. Moreover, Mr. Treadwell has had considerable experience with distressed companies and has been instrumental in turnarounds.

Jay J. Hansen has served as a member of the Board since 2005. Mr. Hansen is co-founder and President of O2 Investment Partners, LLC, a private equity investment group that seeks to acquire a majority interest in small and middle market manufacturing, niche distribution, select service and technology businesses, as well as certain special situations. Prior to forming O2 Investment Partners, Mr. Hansen provided consulting services to financial and manufacturing concerns. Prior to December 2006, Mr. Hansen was Chief Operating Officer of Noble International, Ltd., a Nasdaq-listed company and a supplier of automotive parts, component assemblies and value-added services to the automotive industry, from February 2006 to December 2006, Vice President and Chief Financial Officer from May 2003 to February 2006, and Vice President of Corporate Development from 2002 to 2003. Mr. Hansen was Vice President at Oxford Investment Group, a privately held merchant bank with holdings in a variety of business segments, from 1994 to 2002. Mr. Hansen is a graduate of the Wharton School of Business (University of Pennsylvania), where he received a bachelor's degree in 1985. Mr. Hansen's experience

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as principal financial officer of a public company headquartered in Michigan provides the Board and the Audit Committee with valuable expertise as a financial expert. In addition, Mr. Hansen's experience as a business operator and, more recently, a principal in a Michigan based private equity investment group provides us with valuable insight into the Michigan market.

Walter N. Carter has served as a member of the Board since 2009. Mr. Carter is currently a Managing Principal at Gateway Asset Management Company. Previously, Mr. Carter was Senior Vice President and Director of Consumer Lending at Fifth Third Bank, served as a consultant to the chief executive officer of the direct to consumer retail non-conforming mortgage business for G.E., and President, Manufactured Housing at Green Tree Servicing/Conseco Financial Corp. Mr. Carter received his master's degree in business administration from Rockhurst College and his undergraduate degree in Finance from Georgia State University. Mr. Carter's extensive experience in banking operations and consumer lending provides significant insight and expertise to the Board, particularly as we continue to refine and execute our business operations in the current environment.

Board and Committee Meetings and Committees

The Board generally meets on a bi-monthly basis, or as needed. During the year ended December 31, 2009, the Board met 14 times. No director attended fewer than 86% of the aggregate of (i) the total number of meetings of the Board during 2009, and (ii) the total number of meetings held by all committees of the Board on which that director served.

While we do not have a policy regarding director attendance at the Annual Meeting of Stockholders, we encourage directors to attend every annual meeting. Ten out of ten of our directors attended last year's annual meeting of stockholders held on May 26, 2009.

Nominating/Corporate Governance Committee

The Nominating/Corporate Governance Committee consists of directors David J. Matlin and Gregory Eng. The chairman of the Nominating/Corporate Governance Committee is David J. Matlin. The Nominating/Corporate Governance Committee met Five times in 2009. We are a controlled company for purposes of the NYSE. As a controlled company within the meaning of Section 303A.00 of the NYSE Manual, we are exempt from the requirement that director nominees be selected, or recommended for the Board's selection, by either a nominating committee comprised solely of independent directors or by a majority of the independent directors.

Among other things, the Nominating/Corporate Governance Committee is responsible for reviewing annually the requisite skills and characteristics required of Board members, selecting, evaluating and recommending nominees for election by the Company's stockholders and reviewing and assessing the adequacy of the Company's policies and practices on corporate governance, including the Corporate Governance Guidelines. The charter of the Nominating/Corporate Governance Committee, as well as the Corporate Governance Guidelines, can be found on our website at www.flagstar.com.

The Nominating/Corporate Governance Committee will consider prospective nominees for the Board based on the need to fill vacancies or the Board's determination to expand the size of the Board. This initial determination is based on information provided to the Committee with the recommendation of the prospective candidate, as well as the Committee's own knowledge of the prospective candidate, which may be supplemented by inquiries to the person making the recommendation. The Committee then evaluates the prospective nominee against the standards and qualifications set forth below, including relevant experience, industry expertise, intelligence, independence, diversity of background and outside commitments.

The general criteria for nomination to the Board include the following:

Directors should possess personal and professional ethics, integrity and values, and be committed to representing the long-term interests of our stockholders and other constituencies.

Directors should have reputations, both personal and professional, consistent with the our image and reputation.

Each director should have relevant experience and expertise and be able to add value and offer advice and guidance to the Chief Executive Officer based on that experience and expertise.

Directors should have current knowledge and contacts in our industry and other industries relevant to our business, ability to work with others as an effective group and ability to commit adequate time as a director.

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Each director should have the ability to exercise sound business judgment.

Directors should be selected so that the Board is a diverse body reflecting gender, ethnic background, professional experience, current responsibilities and community involvement.

The Board believes its effectiveness is enhanced by being comprised of individuals with diverse backgrounds, skills and experience that are relevant in the role of the board and the needs of our business. Accordingly, the Board, through the Nominating/Corporate Governance Committee, will regularly review the changing needs of the business and the skills and experience resident in its members, with the intention that the Board will be periodically renewed as certain directors rotate off and new directors are recruited. The Board's commitment to diversity and renewal will be tempered by the need to balance change with continuity and experience. The Board believes that its commitment in this regard has been effective in establishing a Board that consists of members with diverse backgrounds, skills and experience that are relevant to the role of the Board and the needs of the business.

In considering director nominees, the Nominating/Corporate Governance Committee has not used third party search firms to assist in this purpose. The Nominating/Corporate Governance Committee recommends to the Board the slate of directors to be nominated for election at the Annual Meeting of Stockholders, but the Board is responsible for making interim appointments of directors in accordance with our Articles and Bylaws.

Compensation Committee

During 2009, the Compensation Committee consisted of directors David J. Matlin, Gregory Eng and Dr. James D. Coleman. The Chairman of the Compensation Committee is David J. Matlin. The Compensation Committee met five times in 2009. The charter of the Compensation Committee can be found on our website at www.flagstar.com.

On January 30, 2009, we became a controlled company for purposes of the NYSE. Section 303A.00 of the NYSE Manual exempts a controlled company from the rules that require that (1) the compensation of the chief executive officer of the company be determined, or recommended to the board of directors for determination, either by a compensation committee comprised of independent directors or by a majority of the independent directors on its board of directors, (2) the chief executive officer may not be present during voting or deliberations, and (3) compensation for all other officers must be determined, or recommended to the board of directors for determination, either by the compensation committee or a majority of the independent directors on the board of directors. Accordingly, as a controlled company, we are not required to have officer compensation, including the compensation of the chief executive officer, determined or approved by a compensation committee or a majority of the independent directors on our Board.

The Compensation Committee is responsible for establishing the policies that govern executive compensation and for recommending the components and structure of executive compensation. The Compensation Committee reviews and approves corporate goals and objectives relevant to compensation of the Chairman of the Board and of the Chief Executive Officer, evaluates performance in light of such goals and objectives, determines compensation of the Chairman of the Board and of the CEO based on such respective evaluations, and makes compensation recommendations to the Board related to other executive officers.

The Compensation Committee may delegate its authority to a subcommittee composed solely of directors that satisfy its membership criteria but has never done so. However, the Compensation Committee frequently requests that management assist in evaluating employee performance, recommending factors and targets for performance-based incentive compensation, recommending compensation levels and forms of awards, and providing information with respect to, among other things, strategic objectives and the current market environment. The Compensation Committee also engaged McLagan, an independent compensation consultant, to conduct a review of its compensation program and provide relevant market data and alternatives to consider when making compensation decisions.

Audit Committee

During 2009, the Audit Committee consisted of directors Jay J. Hansen, David L. Treadwell and James D. Coleman. On January 26, 2010, James A. Ovenden accepted his appointment to serve as a member of the audit committee. Mr. Ovenden replaced Mr. Treadwell as a member of the audit committee. The chairman of the Audit Committee is Mr. Hansen. The Audit Committee met 13 times in 2009. The Board has determined that Mr. Hansen qualifies as an audit committee financial expert, as defined by the rules and regulations of the Securities and Exchange

Commission (the SEC). Further, the Board certifies that each member of the Audit Committee is financially literate and has accounting or related financial management expertise, as such qualifications are defined by the rules of the NYSE. The charter of the Audit Committee can be found on our website at www.flagstar.com.

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The Audit Committee is responsible for reviewing our audit programs and the activity of the Bank. The Audit Committee oversees the quarterly regulatory reporting process, oversees the internal compliance audits as necessary, receives and reviews the results of each external audit, reviews management's responses to independent registered public accountants' recommendations, and reviews management's reports on cases of financial misconduct by employees, officers or directors. The Audit Committee is also responsible for engaging the Company's independent registered public accountants and for the compensation and oversight of the work of our independent registered public accountants for the purpose of preparing or issuing an audit report or related work or performing other audit, review or attest services for us.

The Audit Committee adopted the Flagstar Bancorp, Inc. Audit Committee Pre-Approval Policy (the Pre-Approval Policy), which requires the committee to pre-approve the audit and non-audit services performed by the independent registered public accountants and confirm that such services do not impair the independent registered public accountants' independence. Among other things, the Pre-Approval Policy provides that unless a service to be provided by the independent registered public accountants has received general pre-approval, it requires specific pre-approval by the Audit Committee. Further, the Pre-Approval Policy provides that any services exceeding pre-approval cost levels will require specific pre-approval by the Audit Committee. In 2009, all of the fees paid to our independent registered public accountants were pre-approved by the Audit Committee.

Board Leadership Structure

The Board believes that our Chief Executive Officer is best situated to serve as Chairman of the Board because he is the director most familiar with our business and industry, and most capable of effectively identifying strategic priorities and leading the discussion and execution of strategy. Non-management directors and management have different perspectives and roles in strategy development. Our non-management directors bring experience, oversight and expertise from outside the Company and industry, while the Chief Executive Officer brings company-specific experience and expertise. The Board believes that the combined role of Chairman and Chief Executive Officer promotes strategy development and execution, and facilitates information flow between management and the Board, which are essential to effective governance.

One of the key responsibilities of the Board is to develop strategic direction and hold management accountable for the execution of strategy once it is developed. The Board believes the combined role of Chairman and Chief Executive Officer, together with an independent Lead Director is in the best interest of stockholders because it provides the appropriate balance between strategy development and independent oversight of management.

Risk Management

The Board has an active role, as a whole and also at the committee level, in overseeing management of our risks. The Board regularly reviews information regarding our credit, liquidity and operations, as well as the risks associated with each. Our Compensation Committee is responsible for overseeing the management of risks relating to our executive compensation plans and arrangements. Our Audit Committee oversees management of financial risks. Our Nominating/Corporate Governance Committee manages risks associated with the independence of the Board and potential conflicts of interest. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed through committee reports about such risks.

Director Compensation

Our general policy is to provide non-management directors with compensation that is intended to assist us in attracting and retaining qualified non-management directors. We do not pay director compensation to directors who are also our employees. In addition, directors David J. Matlin, Mark Patterson and Gregory Eng have waived the receipt of compensation for serving on the Board or its committees.

The Nominating/Corporate Governance Committee has the primary responsibility to review director compensation and benefits on an annual basis and recommend any revisions to the Board. In 2009, McLagan was retained to conduct a review of the director compensation program and to provide the Nominating/Corporate Governance Committee with relevant market data and alternatives to consider when making compensation decisions. The compensation of non-management directors for their service on the Board and its committees will be determined as follows:

Annual retainer, \$25,000;

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For each monthly Board meeting, \$2,000 for attendance in person or \$1,000 for attendance by telephone;

For each special Board meeting, \$500;

For each Audit Committee meeting, \$1,500;

Annual additional retainer fee for the chairman of the Audit Committee, \$10,000;

For each regular telephone Audit Committee meeting, \$750;

For each Compensation Committee meeting, \$1,000;

Annual retainer fee for the chairman of the Compensation Committee, \$10,000;

For each regular telephone Compensation Committee meeting, \$500;

For each Nominating/Corporate Governance Committee meeting, \$1,000 for attendance in person and \$500 for attendance by telephone;

Annual additional retainer for Lead Director, \$10,000;

For each Independent Director meeting on the same as the monthly meeting \$300 for attendance in person, \$150 for attendance by phone; and

For each Independent Director meeting on any other day than the monthly meeting \$800 for attendance in person, \$300 for attendance by phone.

The Company reimburses non-management directors that attend meetings of the Board or its committees from out-of-town for reasonable travel expenses, including accommodations.

In addition, non-management directors are eligible to receive equity-based compensation under the 2006 Equity Incentive Plan. Non-management directors did not receive equity-based compensation in 2009.

The table below details the compensation earned by our non-management directors in 2009.

Name	Fees Earned		Total
	Or Paid in Cash	All Other Compensation	
Walter Carter	\$21,425	\$	\$21,425
Lesley Goldwasser	21,425		21,425
David L. Treadwell	25,550		25,550
Charles Bazy (2)	10,100		10,100
James D. Coleman (1)	53,500		53,500
Richard S. Elsea (2)	10,100		10,100
Michael Lucci, Sr. (2)	17,325		17,325
Frank D Angelo (2)	8,100		8,100
Robert DeWitt (2)	20,250		20,250
B. Brian Tauber (2)	40,425		40,425
Jay J. Hansen (1)	71,900		71,900
William F. Pickard (2)	14,925		14,925

(1)

As of
December 31,
2009, each
director had the
following
number of stock
options
outstanding, all
of which were
awarded prior to
2007: Jay J.
Hansen 1,500.

- (2) Messrs. Bazy,
Elsea and
D Angelo
resigned from
the Board on
January 30,
2009. Messrs.
Lucci, DeWitt,
and Pickard
resigned from
the Board on
May 26, 2009.
Mr. Tauber
resigned from
the Board on
September 29,
2009.

CORPORATE GOVERNANCE

General

We initially adopted Corporate Governance Guidelines in 2004, and the Nominating/Corporate Governance Committee reviews and assesses the adequacy of those guidelines annually and recommends amendments as necessary. You may obtain the Corporate Governance Guidelines and the charters of each of the Board's committees, including the Audit Committee, the Compensation Committee and Nominating/Corporate Governance Committee, on our website, www.flagstar.com. These documents are also available in print upon written request to Paul Borja, CFO, Flagstar Bancorp, Inc., 5151 Corporate Drive, Troy, Michigan 48098.

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Code of Business Conduct and Ethics

The Board has adopted a Code of Business Conduct and Ethics (the Code of Conduct) that applies to actions of our employees, officers and directors including the principal executive officer, principal financial officer, and principal accounting officer. Among other things, the Code of Conduct requires compliance with laws and regulations, avoidance of conflicts of interest and insider trading, and reporting of illegal or unethical behavior. Further, the Code of Conduct provides for special ethics obligations for employees with financial reporting obligations. A copy of the Code of Conduct may be found on our website at www.flagstar.com. Also, the Code of Conduct is available in print upon written request to Paul Borja, CFO, Flagstar Bancorp, Inc., 5151 Corporate Drive, Troy, Michigan 48098.

Stockholder Nominations

While the Nominating/Corporate Governance Committee will consider nominees recommended by stockholders, it has not actively solicited recommendations from our stockholders for nominees. Stockholders who wish to nominate candidates for election to the Board at the Annual Meeting must follow the procedures outlined in STOCKHOLDER PROPOSALS FOR THE 2011 ANNUAL MEETING. The Nominating/Corporate Governance Committee will evaluate candidates properly proposed by stockholders in the same manner as all other candidates, as set forth above under PROPOSAL 1 ELECTION OF DIRECTOR Nomination/Corporate Governance Committee.

All stockholder nominations for new directors must be in writing and must set forth as to each director candidate recommended the following: (1) name, age, business address and, if known, residence address of the nominee; (2) the principal occupation or employment of the nominees; (3) the number of shares of common stock that are beneficially owned by the nominee; and (4) any other information relating to the person that would be required to be included in a proxy statement prepared in connection with the solicitation of proxies for an election of directors pursuant to applicable law and regulations. Certain information as to the stockholder nominating the nominee for director must be included, such as the name and address of the stockholder and the number of shares of common stock which are beneficially owned by the stockholder. The stockholder must promptly provide any other information requested by us.

Independence

Section 303A.00 of the NYSE Manual applicable to companies listed on the NYSE exempts a controlled company (defined as a company with over 50% of the voting power held by an individual, group or other company) from the requirements that a majority of its board of directors be comprised of independent directors, that the compensation of our Chief Executive Officer and all of our other executive officers be determined or recommended to the Board for determination either by a majority of independent directors or a compensation committee comprised solely of independent directors, and that director nominees either be selected or recommended for selection by the board of directors by a majority of independent directors or a nominations committee comprised solely of independent directors. The Audit Committee of our Board is comprised of the following three members: Jay J. Hansen, James A. Ovenden, and Lesley Goldwasser, each of whom is independent, as that term is defined by Section 303A.02 of the NYSE Manual, and the constitution of the Audit Committee complies with the NYSE independence standards for audit committees and the regulations of the SEC applicable to audit committees. None of Messrs. Hansen or Ovenden or Ms. Goldwasser has any relationships or has been involved in any transactions or arrangements with us that required consideration by the Board under the applicable independence standards in determining that such director is independent.

The Board has conducted its annual review of director independence. During this review, the Board considered relationships and transactions during the past three years between each director or any member of his or her immediate family and us and our subsidiaries and affiliates, including those reported under CERTAIN TRANSACTIONS AND BUSINESS RELATIONSHIPS. The purpose of the review was to determine whether any such relationship or transactions were inconsistent with a determination that the director is independent.

Based on its review, the Board has affirmatively determined that directors James D. Coleman, Lesley Goldwasser, Jay J. Hansen, James A. Ovenden and David L. Treadwell are independent in accordance with applicable SEC and NYSE rules. The Board considered all relevant facts and circumstances in concluding that such persons are independent and have no material relationship with us. As of and after the Annual Meeting, the entirety of the Board's Audit Committee will be composed of independent directors. However, a majority of the Board and the entirety of the

Board's Compensation Committee and Nominating/Corporate Governance Committee are not independent.

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Director and Executive Officer Stock Ownership Guidelines

The Board previously adopted stock ownership requirements for our directors and executive officers. Non-management directors must meet or exceed these requirements within one year of joining the Board. The requirements specify that non-management directors are expected to own or have stock options to purchase at least 1,000 shares of our common stock. Each of the non-management directors meet or exceed the requirement set forth in the stock ownership guidelines.

Our senior officers are expected to own at least 100 shares, which includes shares held in the Flagstar Bank 401(k) Plan and certain awards issued under our 2006 Equity Incentive Plan.

Executive Sessions of Non-Management Directors

All non-management directors meet in executive session at least four times per year. No employee of the Company may attend or participate in such executive sessions. The Board will annually designate the lead non-management director, or Lead Director, to chair the executive sessions and to establish and distribute an agenda for each such meeting. Lesley Goldwasser has been designated the Lead Director for 2010.

Communications with the Board or the Lead Director

Individuals who have an interest in communicating directly with a member of the Board, the Board or the non-management members of the Board may do so by directing the communication to the Board of Directors [name of individual director], Board of Directors, or Lead Director, respectively. The Lead Director is the presiding director for non-management sessions of the Board. Following each meeting of the non-management directors, the Lead Director determines whether any communication necessitates discussion by the full Board. Any communications should be sent to the following address: Flagstar Bancorp, Inc., Attention: Corporate Secretary, 5151 Corporate Drive, Troy, Michigan, 48098.

Succession Plan

Pursuant to the Corporate Governance Guidelines, the Chief Executive Officer and the Nominating/Corporate Governance Committee review succession planning with the Board on an annual basis. The Board has adopted a succession plan that is consistent with industry practice and would provide for an orderly transition in case of a catastrophic event involving the Chairman or the Chief Executive Officer.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

Persons and groups beneficially owning more than 5% of the common stock are generally required under federal securities laws to file certain reports with the SEC detailing such ownership. The term beneficial ownership means the shares held as of the Record Date plus shares underlying any options or securities that are exercisable as of or within 60 days before or after the Record Date. The following table sets forth, as of the Record Date, certain information as to the common stock beneficially owned by any person or group of persons who are known to the Company to be the beneficial owners of more than 5% of our common stock. Other than as disclosed below, management knows of no person who beneficially owned more than 5% of our common stock at the Record Date. This table is based on information included in Schedule 13Ds filed with the SEC.

Name and Address of Beneficial Owner	Common Stock (a)	
	Shares	Percent of Class
MP Thrift Investments L.P.		%
MPGOP III Thrift AV-I L.P.		%
MPGOP (Cayman) III Thrift AV-I L.P.		%
MP (Thrift) Global Partners III LLC		%
MP (Thrift) Asset Management LLC		%
MP (Thrift) LLC		%
David J. Matlin		%
Mark R. Patterson		%
MatlinPatterson Global Advisers LLC	1,060,035,212 (b)	69.2%
c/o MatlinPatterson Global Advisers LLC		
520 Madison Avenue, 35 th Floor		
New York, New York 10022		

(a) Based solely on an amended Schedule 13D filed with the SEC on April 5, 2010. The reporting persons beneficially own and are the record holder of 1,060,035,212 shares of our common stock, representing approximately 69.2% of our total voting power of the voting stock.

Table of Contents**EXECUTIVE OFFICERS**

The following table sets forth the name and age (as of the Record Date) of the Company's executive officers.

Name and Age	Position(s) Held in 2009
Joseph P. Campanelli, 53	Chairman of the Board of the Company and the Bank, President and Chief Executive Officer of the Company and the Bank
Salvatore J. Rinaldi, 55	Executive Vice-President and Chief of Staff of the Company and the Bank
Paul D. Borja, 49	Executive Vice President and Chief Financial Officer of the Company and the Bank
Matthew A. Kerin, 55	Executive Vice-President and Managing Director, Corporate Specialties of the Company and the Bank.
Todd McGowan, 46	Executive Vice-President and Chief Risk Officer of the Company and the Bank
Alessandro DiNello, 55	Executive Vice-President and Head of Retail Banking of the Company and the Bank
Marshall Soura, 70	Executive Vice-President and Director of Corporate Services of the Company and the Bank
Matthew I. Roslin, 42	Executive Vice-President of the Company and the Bank and Chief Legal Officer and Chief Administrative Officer of the Bank

Joseph P. Campanelli has served as President and Chief Executive Officer since September 2009 and Chairman of the Board since November 2009. Mr. Campanelli was President and Chief Executive Officer and a member of the Board of Directors of Sovereign Bancorp, Inc. and Sovereign Bank until September 30, 2008, where he oversaw nearly 750 community banking centers and 12,000 team members. Mr. Campanelli originally joined Sovereign Bank in 1997 when it acquired Fleet Financial Group's automotive finance group, which was headed by Mr. Campanelli. He became President and Chief Operating Officer of Sovereign's New England Division in 1999 when Sovereign Bank acquired 268 branches that Fleet Financial Group divested after its merger with Bank Boston Corp. Mr. Campanelli played an active role in the branch acquisition and integration, which at the time was the largest branch and business divestiture in U.S. banking history. Mr. Campanelli played a key leadership role in the transformation of Sovereign Bank from a \$10 billion thrift to an \$80 billion super community bank. Prior to his employment by Sovereign, Mr. Campanelli spent nearly 20 years serving in a variety of senior and executive positions, overseeing commercial and community activities and problem asset resolution, with both Fleet Financial Group and Shawmut Bank. He began his banking career in Hartford, Connecticut in 1979. In his over 30 years experience, Mr. Campanelli has served in a variety of senior and executive positions and has a history of successfully managing through a variety of economic conditions, with a track record of leading transformational change.

Salvatore J. Rinaldi has served as Executive Vice President and Chief of Staff since October 2009. Mr. Rinaldi was Executive Vice President and Chief of Staff of Sovereign Bancorp, Inc. until February 2009. Mr. Rinaldi joined Sovereign Bancorp in August 1998 and, served in a variety of senior positions including managing all acquisitions and major system conversions for the organization. Mr. Rinaldi oversaw the integration of the Fleet/Bank Boston branches for Sovereign. At Sovereign, Mr. Rinaldi also managed the post-acquisition integration of nine financial institutions with asset sizes ranging from \$250 million to \$15 billion, and converted most major systems for the company. Additionally, Mr. Rinaldi managed most corporate and special projects initiatives for Sovereign and supervised the IT, Operations and Administrative functions. Prior to Sovereign, Mr. Rinaldi worked for 25 years in the banking industry, during which he held a number of senior and executive positions at Fleet Bank, Shawmut Bank and Connecticut National Bank.

