

FLAGSTAR BANCORP INC

Form DEF 14A

March 31, 2003

Table of Contents

**SCHEDULE 14A
(Rule 14A-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION**

**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
Commission only (as permitted by Rule 14a-6(e)(2).

Confidential, for use of the

Definitive proxy statement.

Definitive additional materials.

Soliciting material pursuant to Rule 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:

Table of Contents

March 31, 2003

Dear Stockholder:

We invite you to attend the 2003 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 5, 2003 at 1:00 p.m., local time.

The Annual Meeting has been called for the election of directors and the conduct of incidental matters. Enclosed are a proxy statement, a proxy card and the Annual Report to Stockholders for 2002. Directors and officers of the Company as well as representatives of Grant Thornton LLP, the Company's independent auditors for 2002, will be present to respond to any questions the stockholders may have.

Your vote is important regardless of the number of shares you own. 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 cooperation and continuing support.

Sincerely,

/s/ THOMAS J. HAMMOND

Thomas J. Hammond
Chairman of the Board

TABLE OF CONTENTS

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

PROXY STATEMENT

PROPOSAL I -- ELECTION OF DIRECTORS

MEETINGS AND COMMITTEES AND COMPENSATION OF THE BOARD OF DIRECTORS

AUDIT COMMITTEE REPORT

EXECUTIVE COMPENSATION AND OTHER BENEFITS

SUMMARY COMPENSATION TABLE

STOCK OPTIONS

REPORT OF THE COMPENSATION COMMITTEE

Table of Contents

FLAGSTAR BANCORP, INC.

**5151 Corporate Dr.
TROY, MI 48098
(248) 312-2000**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 5, 2003**

NOTICE IS HEREBY GIVEN that the 2003 annual meeting of stockholders (the Annual Meeting) of Flagstar Bancorp, Inc. (the Company) will be held on Monday, May 5, 2003 at 1:00 p.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.

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

1. to elect five directors to the Board of Directors to hold office for a term of two years and until their successors shall have been duly elected and qualified;
2. 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.

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 on March 17, 2003, will be entitled to vote at the Annual Meeting and any adjournments thereof.

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/ MARY KAY MCGUIRE

Mary Kay McGuire
Secretary

Troy, Michigan
March 31, 2003

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.

Table of Contents

**PROXY STATEMENT
OF**

FLAGSTAR BANCORP, INC.

**5151 Corporate Dr.
TROY, MI 48098
(248) 312-2000**

ANNUAL MEETING OF STOCKHOLDERS

MAY 5, 2003

General

This Proxy Statement and the enclosed Proxy Card are furnished in connection with the solicitation of proxies by the Board of Directors of Flagstar Bancorp, Inc. They will be used at the 2003 Annual Meeting of Stockholders of the Company (the Annual Meeting), that will be held on Monday, May 5, 2003 at 1:00 p.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 on or about March 31, 2003.

Voting and Revocability of Proxies

If the enclosed form of proxy is properly executed and returned to the Company in time to be voted at the Annual Meeting, the shares represented thereby will be voted in accordance with the instructions marked thereon. **Executed but unmarked proxies will be voted FOR the election of the five nominees as directors of the Company.** The proxy confers discretionary authority on the persons named therein to vote with respect to the election of any person or 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 the Company in accordance with the Company's Restated Articles of Incorporation. 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 of Directors. Except for procedural matters incident to the conduct of the Annual Meeting, the Company does not know of any other matters that are to come before the Annual Meeting. Proxies marked as abstentions and shares held in street name which have been designated by brokers on proxies as not voted will not be counted as votes cast, but will be counted for purposes of determining a quorum at the Annual Meeting.

Stockholders who execute proxies may revoke them at any time prior to their exercise by filing with the Secretary of the Company a written notice of revocation, by delivering to the Company a duly executed proxy bearing a later date, or by attending the Annual Meeting and voting in person. The mere presence of a stockholder at the Annual Meeting will not, by itself, automatically revoke such stockholder's proxy.

Voting Securities

The securities that may be voted at the Annual Meeting consist of shares of common stock, par value \$0.01 per share (the Common Stock), of the Company. Each share entitles its owner to one vote on all matters. March 17, 2003 (the Record Date) has been fixed by the Board of Directors as the Record Date for determination of stockholders entitled to vote at the Annual Meeting. The number of shares of Common Stock outstanding as of the Record Date was 29,658,876.

Table of Contents**Security Ownership of Certain Beneficial Owners and Management**

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 Securities and Exchange Commission (SEC) detailing such ownership. The following table sets forth, as of year end, 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 the Common Stock. Other than as disclosed below, management knows of no person who beneficially owned more than 5% of the Common Stock at the Record Date.

Name of Owner	Amount and nature of Ownership(a)	Percent of Common Stock Outstanding
Thomas J. Hammond(b)	6,239,206	21.1%
Janet G. Hammond(c)	2,166,553	7.3
Mark T. Hammond(d)	2,298,189	7.8
Catherine H. Rondeau(e)	2,059,815	7.0
Carrie C. Langdon(f)	1,912,815	6.5
Barclays Private Bank and Trust Limited	1,477,489	5.0

- (a) Does not include stock owned by the respective stockholder's spouse, as to which the respective person disclaims beneficial ownership.
- (b) Does not include common shares that are acquirable by Mr. Hammond in accordance with the Option Plan or the Stock Plan.
- (c) Janet G. Hammond is the wife of Thomas J. Hammond.
- (d) Does not include common shares that are acquirable by Mr. Hammond in accordance with the Option Plan or the Stock Plan. Mark T. Hammond is the son of Thomas J. Hammond.
- (e) Catherine H. Rondeau is the daughter of Thomas J. Hammond.
- (f) Carrie C. Langdon is the daughter of Thomas J. Hammond.

Table of Contents

The following table sets forth, as of December 31, 2002, certain information known to the Company as to the Common Stock beneficially owned by each director and executive officer of the Company and the Bank and by all directors and executive officers of the Company and the Bank and affiliates as a group.

Name and Position	Number of Shares(1)	Percent of Class
Thomas J. Hammond, Chairman of the Board	6,309,518	24.0%
Mark T. Hammond, Vice Chairman of the Board, President, and Chief Executive Officer	2,448,304	7.8
Charles Bazzy, Director	19,699	*
Michael W. Carrie, Director, Executive Vice President, Treasurer, and Chief Financial Officer	38,873	*
James D. Coleman, Director	2,249	*
Richard S. Elsea, Director	3,093	*
Kirstin A. Hammond, Director and Executive Vice President	30,362	*
David V. Johnson, Director		*
John R. Kersten, Director	2,249	*
C. Michael Kojaian, Director	6,749	*
Robert O. Rondeau, Jr., Director and Executive Vice President	27,198	*
Mary Kay McGuire, Director of the Bank and Senior Vice President and Secretary	26,290	*
Joan H. Anderson, Executive Vice President	15,180	*
Catherine H. Rondeau	2,059,815	7.3
Carrie C. Langdon	1,912,815	6.8
Janet G. Hammond	2,166,553	7.5
All directors, affiliates, and executive officers as a group (16 persons)	15,068,947	50.8%

* Less than 1.0%

- (1) Based on information provided by the respective director, affiliate, or executive officer. These totals include options granted under the 1997 Stock Option Plan. Unless otherwise indicated, the amounts shown include shares owned jointly with family members with whom the person shares voting and dispositive powers, or as custodian or trustee over which shares the person effectively exercises voting and dispositive powers. These amounts also include certain shares held in the person's Savings and Investment Plan account, as of December 31, 2002, with respect to which the person has sole dispositive power and shared voting rights with the Plan's trustees.

Table of Contents**PROPOSAL I ELECTION OF DIRECTORS**

The Company's Board of Directors (the Board) is currently composed of eleven members. The Board has nominated for election as directors, Michael W. Carrie, James D. Coleman, Robert O. Rondeau, Jr., Kirstin A. Hammond, and Richard S. Elsea. Under Michigan law, directors are elected by a plurality of the votes present in person or by proxy and entitled to vote on the election of directors.

It is intended that the persons named in the proxies solicited by the Board of Directors will vote for the election of the named nominee. 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 of Directors may recommend or the size of the Board of Directors may be reduced to eliminate the vacancy. At this time, the Board knows of no reason why any nominee might be unavailable to serve.

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

The following table sets forth, for the nominee and each continuing director, his or her name, age as of the Record Date, the year he or she first became a director of the Company and the expiration of his or her current term as a director of the Company.

Name	Age as of the Record Date	Year First Elected Director of the Company	Current Term to Expire
Board Nominee for Terms to Expire in 2005			
Michael W. Carrie	48	1997	2003
Kirstin A. Hammond	37	2002	2003
Robert O. Rondeau, Jr.	37	2002	2003
James D. Coleman	56	1993	2003
Richard S. Elsea	73	1997	2003
Directors Continuing in Office			
Thomas J. Hammond	59	1993	2004
Charles Bazy	73	2002	2004
David V. Johnson	54		2004
C. Michael Kojaian	41	1997	2004
Mark T. Hammond	37	1993	2004
John R. Kersten	61	1997	2004

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

Thomas J. Hammond has served as Chairman of the Board of Directors since 1993. Mr. Hammond founded Flagstar Bank, FSB in 1987 and in the recent past held the titles of President and Chief Executive Officer.

Mark T. Hammond has served as Vice Chairman of the Board of Directors since 1993. Mr. Hammond also serves as President and Chief Executive Officer. Mr. Hammond is the son of Thomas J. Hammond, the Chairman of the Board.

Charles Bazy has served as a Director since 2002. He is retired from Ford Motor Company where he served as a planning and development manager for 33 years.

Michael W. Carrie has served as a Director since 1997. Mr. Carrie also serves as the Executive Vice President, Treasurer and Chief Financial Officer.

Dr. James D. Coleman has served as a Director of the Company since 1993. He is a retired physician.

Richard S. Elsea has served as a Director since 1997. Mr. Elsea is President and Owner of Real Estate One, Michigan's largest real estate sales organization.

Table of Contents

Kirstin A. Hammond has served as Director since 2002. She has served as an Executive Vice President since January 2001. Mrs. Hammond has been employed by the Bank since 1991. Mrs. Hammond is the wife of Mark T. Hammond, the President, Chief Executive Officer, and Vice Chairman of the Board of Directors and the daughter-in-law of Thomas J. Hammond, the Chairman of the Board.

David V. Johnson has served as a Director since 2002. He is the Chairman of Victor International Corporation, a real estate development firm.

John R. Kersten has served as a Director since 1997. Mr. Kersten is the owner and President of Century 21 Town and Country Real Estate, Michigan's 2nd largest real estate sales organization.

C. Michael Kojaian has served as a Director since 1997. He serves as Executive Vice President and a Director of the Kojaian Companies, a real estate development and asset management organization.

Robert O. Rondeau, Jr. has served as Director since 2002. He has served as an Executive Vice President since January 2001. Mr. Rondeau has been employed by the Bank since 1995. Mr. Rondeau is the son-in-law of Thomas J. Hammond, the Chairman of the Board.

Table of Contents

MEETINGS AND COMMITTEES AND COMPENSATION OF THE BOARD OF DIRECTORS

The Board of Directors generally meet on a monthly basis, or as needed. During the year ended December 31, 2002, the Company's Board of Directors met 12 times. No director attended fewer than 75% of the aggregate of (i) the total number of meetings of the Board during 2002, and (ii) the total number of meetings held by all committees of the Board on which that director served, except that Mr. Kojaian only attended 58.3% of the total of such meetings during 2002 due to conflicting business schedules.

The Company's Nominating Committee consists of directors Charles Bazy, James D. Coleman, and John R. Kersten. While the committee will consider nominees recommended by stockholders, it has not actively solicited recommendations from the Company's stockholders for nominees nor, subject to the procedural requirements set forth in the Company's Restated and Amended Articles of Incorporation and Bylaws, established any procedures for this purpose. The committee met twice in its capacity as the nominating committee during 2002.

The Company's Compensation Committee consists of directors James D. Coleman and C. Michael Kojaian. It meets periodically to establish policies that govern executive compensation and to recommend to the Board components and structure of the compensation plans for executive officers of the Company. The Compensation Committee met five times in 2002.

The Company's Audit Committee consists of directors Charles Bazy, Richard S. Elsea, and John R. Kersten. The Audit Committee is responsible for reviewing the Company's auditing programs and the activity of the Bank. The committee oversaw the quarterly regulatory reporting process, oversaw the internal compliance audits as necessary, received and reviewed the results of each external audit, reviewed management's responses to auditors' recommendations, and reviewed management's reports on cases of financial misconduct by employees, officers or directors. The Company's Board of Directors recently adopted an amended and restated charter for the Audit Committee, a copy of which is attached in Appendix A, to reflect changes to its existing charter as a result of the Sarbanes-Oxley Act of 2002, related SEC rules and proposed NYSE requirements.

The Company's Audit Committee met four times during 2002.

The Board of Directors and the Audit Committee believe that the Audit Committee's current member composition (three independent directors) satisfies the rule of the New York Stock Exchange (NYSE) that governs audit committee composition, Rule 303.01(B)(3), including the requirement that audit committee members all be independent directors as that term is defined by NYSE Rule 303.01(B)(2) and the standards promulgated under the Sarbanes-Oxley Act of 2002. In addition, Mr. Bazy qualifies and shall serve as the committee's audit committee financial expert as such term is defined by the SEC and its recently adopted rules and regulations, and is independent of management of the Company.

Non-Employee Directors received a monthly fee of \$1,200 for attendance at each board meeting. Non-Employee directors are also reimbursed for reasonable travel expense incurred in connection with board and committee meetings.

During 2002, non-employee board members received a \$9,000 year-end bonus. Directors do not receive any additional compensation for serving on committees. Directors are not paid if they do not attend a meeting. All directors are eligible to participate in the Option Plan.

Table of Contents

AUDIT COMMITTEE REPORT

In accordance with its written charter adopted by the Board of Directors, the Audit Committee assists the Board of Directors with fulfilling its oversight responsibility regarding the quality and integrity of the accounting, auditing and financial reporting practices of the Company. In discharging its oversight responsibilities regarding the audit process, the Audit Committee:

1. Reviewed and discussed the audited financial statements with management;
2. Discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61; and
3. Reviewed the written disclosures and the letter from the independent auditors required by the Independence Standards Board's Standard No. 1, and discussed with the independent auditors any relationships that may impact the auditor's objectivity and independence. Based upon the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002, for filing with the Securities and Exchange Commission.

Members of the Audit Committees:

/s/ CHARLES BAZZY

Charles Bazy
Director
Flagstar Bancorp, Inc.

/s/ JOHN R. KERSTEN

John R. Kersten
Director
Flagstar Bancorp, Inc.

/s/ RICHARD S. ELSEA

Richard S. Elsea
Director
Flagstar Bancorp, Inc.

Table of Contents**EXECUTIVE COMPENSATION AND OTHER BENEFITS**

The following tables set forth information with respect to the compensation paid or accrued by the Company during the last three years ended December 31, 2002, to or on behalf of each executive officer, in all capacities in which they served:

SUMMARY COMPENSATION TABLE

Name and Principal Position(s)	Year	Annual Compensation			
		Salary(\$)	Incentive Compensation (\$)	Officer Bonus	Other Annual Compensation(1)
Thomas J. Hammond	2002	\$ 364,000	\$ 1,329,605		
Chairman of the Board	2001	600,000	1,000,000	\$ 480,000	
	2000	600,000	775,000		
Mark T. Hammond	2002	628,781	1,385,651		
Vice Chairman and Chief	2001	448,292	1,000,000	250,000	
Executive Officer and President	2000	448,292	540,000		
Michael W. Carrie	2002	271,076	181,333		
Director, Executive Vice President,	2001	260,650		140,000	
Treasurer, and Chief Financial Officer	2000	245,896		35,500	
Joan H. Anderson	2002	215,846	136,000		
Executive Vice President	2001	208,468		106,000	
	2000	201,450		30,000	
Kirstin A. Hammond	2002	229,892	136,000		
Director and Executive Vice President	2001	216,486		106,000	
	2000	200,450		30,000	
Robert O. Rondeau, Jr.	2002	216,807	136,000		
Director and Executive Vice President	2001	208,469		144,000	
	2000	200,450		30,000	

- (1) Includes board fees, 401K matching contributions, car allowance, car usage, country club dues, and miscellaneous other. The amount of such benefits in 2002, 2001 and 2000 received by the named executive officers did not exceed the lesser of \$50,000 or 10% of the respective executive's annual salary and bonus.

Table of Contents**STOCK OPTIONS**

The following table contains information concerning the grant of stock options under the Company's Option Plan to the persons named in the Summary Compensation Table set forth above.

	Year Granted	Number of Options Granted(a)(b)	% of Total Options Granted in Year Granted	Exercise Price (\$ per share)	Grant Date Present Value(c)
Thomas J. Hammond	2002	150,000	18.9%	\$ 23.61	\$ 1,369,500
	2001	44,000	17.5	22.58	396,700
	2000	125,000	25.4	8.82	475,000
Mark T. Hammond	2002	190,000	23.9	23.61	1,734,700
	2001	124,000	49.4	22.14	1,028,700
	2000	150,000	30.4	11.06	711,200
Michael W. Carrie	2002	25,000	3.1	23.61	228,250
	2001	6,800	2.7	22.58	61,300
	2000	15,000	3.0	8.82	57,000
Joan H. Anderson	2002	20,000	2.5	23.61	182,600
	2001	5,000	2.0	22.58	45,100
	2000	9,000	1.8	8.82	34,200
Kirstin A. Hammond	2002	20,000	2.5	23.61	182,600
	2001	5,000	2.0	22.58	45,100
	2000	9,000	1.8	8.82	34,200
Robert O. Rondeau, Jr.	2002	20,000	2.5	23.61	182,600
	2001	5,000	2.0	22.58	45,100
	2000	9,000	1.8	8.82	34,200

- (a) Options granted under the Option Plan are both incentive and non-incentive stock options (as defined by applicable provisions of the Internal Revenue Code of 1986, as amended) with an exercise price equal to the fair market value at the time of issuance. All options issued under the Plan vest over a period of years from the grant date.
- (b) In 2000, in exchange for shares of restricted stock distributed under the Stock Plan, the above named executives relinquished option shares issued during 1998 and 1999. Thomas J. Hammond, Mark T. Hammond, Michael W. Carrie, Joan H. Anderson, Kirstin A. Hammond, and Robert O. Rondeau, Jr. relinquished 123,900, 123,900, 37,650, 21,750, 17,250, and 17,250 option shares, respectively.
- (c) Represents the present value of the option at the date of grant as determined using the Black-Scholes option pricing model. In calculating the present value of the options granted, the following assumptions were utilized: (i) the continuously compounded risk-free rate of return expressed on a weighted average annual basis was 4.1%, 6.2%, and 5.6%, (ii) expected volatility of the underlying Common Stock was 44.3%, 50.0%, and 31.4%; and (iii) expected lives of the options granted were 5, 5, and 3 years; and (iv) dividends on the underlying Common Stock increased at an annual rate of 1.6%. These assumptions are used for illustrative purposes only. No assurance can be given that actual experience will correspond to the assumptions utilized.

Table of Contents

Year end stock option and restricted stock values. The following table sets forth information concerning the amount of stock options and restricted stock exercised during 2002 and held by the named executive officers at December 31, 2002.

Name	Number of Option Shares/ Restricted Shares Exercised	Number of Securities Underlying Unexercised Options at Year End (Exercisable/Unexercisable)	Value of Unexercised In-the-Money Options at Year End(1) (Exercisable/Unexercisable)
Thomas J. Hammond	182,250/61,139	70,312/346,425	\$ 1,243,116/\$6,557,677
Mark T. Hammond	75,000/63,236	50,469/503,925	853,562/9,189,043
Michael W. Carrie	/16,216	8,438/60,937	149,184/1,135,900
Joan H. Anderson	/9,329	5,063/36,862	89,514/685,929
Kirstin A. Hammond	10,000/7,866	16,163/33,937	223,269/632,967
Robert O. Rondeau, Jr.	/7,866	5,063/33,937	89,514/632,967

(1) Represents the difference between the fair value of the options underlying the Common Stock at year end (based on the most recent sales price) and the exercise price of the options.

Employment Agreements. In 1997, the Company entered into separate employment agreements pursuant to which Thomas J. Hammond serves as Chairman, Mark T. Hammond serves as President and Chief Executive Officer, Michael W. Carrie serves as Executive Vice President and Chief Financial Officer, and Joan H. Anderson serves as Executive Vice President. In 2001, the Company entered into employment agreements pursuant to which Robert O. Rondeau, Jr. serves as Executive Vice President and Kirstin A. Hammond serves as Executive Vice President. In such capacities, the above mentioned senior executives are responsible for overseeing all operations of the Company and for implementing the policies adopted by the Board of Directors of the Company. All such employment agreements are referred to herein collectively as the Employment Agreements and all persons who have entered into such Employment Agreements are referred to herein as the Employees.

The Board of Directors of the Company each believe that the Employment Agreements assure fair treatment of the Employees in relation to their career, providing them with a limited form of financial security while committing such persons to future employment for the term of their respective agreements. In the event that any Employee prevails over the Company in a legal dispute as to an Employment Agreement, he or she will be reimbursed for his or her legal and other expenses.

The term of the agreements are three years. The agreements provide for an annual base salary. On each anniversary date from the date of commencement of the Employment Agreements, the term of the Employee's employment under the Employment Agreements will be extended for an additional one-year period beyond the then effective expiration date, upon a determination by the Board of Directors that the performance of the Employee has met the required performance standards and that such Employment Agreements should be extended. The Employment Agreements provide the Employee with a salary review by the Board of Directors not less often than annually, as well as with inclusion in any discretionary bonus plans, retirement and medical plans, customary fringe benefits, vacation, and sick leave.

The Employment Agreements terminate upon the Employee's death or disability, and are terminable by the Company for just cause as defined in the Employment Agreements. In the event of termination for just cause, no severance benefits are available. If the Company terminates the Employee without just cause, the Employee will be entitled to a continuation of his or her salary and benefits from the date of termination through the remaining term of such Employee's Employment Agreement, plus an additional 12-month period, and, at the Employee's election, either cash in an amount equal to the cost to the Employee of obtaining health, life, disability, and other benefits which the Employee would have been eligible to participate in through the Employment Agreement's expiration date or continued participation in such benefit plans through the agreement's expiration date, provided the Employee continued to qualify for participation therein. If the Employment Agreements are terminated due to the Employee's disability (as defined in the Employment Agreements), the Employee will be entitled to a continuation of his or her salary and benefits for up to

Table of Contents

Employment Agreements (cont d)

180 days following such termination. In the event of the Employee's death during the term of the Employment Agreement, his or her estate will be entitled to receive his or her salary through the last day of the calendar month in which the Employee's death occurred. The Employee is able to terminate voluntarily his or her Employment Agreement by providing 90 days' written notice to the Board of Directors, in which case the Employee is entitled to receive only his or her compensation, vested rights and benefits up to the date of termination.

The Employment Agreements contain provisions stating that in the event of the Employee's involuntary termination of employment in connection with, or within one year after, any change in control of the Company, other than for just cause, the Employee will be paid within 10 days of such termination an amount equal to the difference between (i) 2.99 times his or her base amount, as defined in Section 280G(b)(3) of the Code, and (ii) the sum of any other parachute payments, as defined under Section 280G(b)(2) of the Code, that the Employee receives on account of the change in control. Control generally refers to the acquisition, by any person or entity, of the ownership or power to vote more than 50% of the Company's voting stock, the control of the election of a majority of the Company's directors, or the exercise of a controlling influence over the management or policies of the Company. In addition, under the Employment Agreements, a change in control occurs when, during any consecutive two-year period, directors of the Company at the beginning of such period cease to constitute at least a majority of the Board of Directors of the Company. The amount determined using the foregoing formula would also be paid (a) in the event of an Employee's involuntary termination of employment within 30 days following a change in control, or (b) in the event of the Employee's voluntary termination of employment within one year following a change in control, upon the occurrence, or within 90 days thereafter, of certain specified events following the change in control, which have not been consented to in writing by the Employee, including (i) the requirement that the Employee perform his or her principal executive functions more than 50 miles from his or her primary office, (ii) a reduction in the Employee's base compensation as then in effect, (iii) the failure of the Company to continue to provide the Employee with contractual compensation and benefits, including material vacation, fringe benefits, stock option and retirement plans, (iv) the assignment to the Employee of duties and responsibilities which are other than those normally associated with his or her position with the Company, (v) a material reduction in the Employee's authority and responsibility, and (vi) in the case of an employee who is also a director, the failure to re-elect the Employee to the Company's Board of Directors. The aggregate payments that would be made to Messrs. Thomas J. Hammond, Mark T. Hammond, Carrie, and Rondeau and Mrs. Anderson and Mrs. Hammond, assuming termination of employment, other than for just cause, within one year of the change in control at January 1, 2002, would be approximately as follows: Mr. Thomas J. Hammond \$1.6 million; Mr. Mark T. Hammond \$1.5 million; Mr. Carrie \$775,000; Mrs. Anderson \$624,000; Mrs. Kirstin Hammond \$645,000; Mr. Robert O. Rondeau, Jr. \$624,000.

Employee Stock Acquisition Plan. The Company has implemented the Flagstar Bancorp, Inc. 1997 Employee Stock Acquisition Plan (Purchase Plan), the purpose of which is to encourage broad-based ownership by employees of the Company and, as a result, to provide an incentive for employees at all levels to contribute to the profitability and success of the Company. The Purchase Plan enables the Company to offer a convenient means for the employees who might not otherwise own Common Stock to purchase and hold the Common Stock, and through the partial refund feature of the Purchase Plan, to provide a meaningful inducement to participate.

The Purchase Plan is administered by the Board of Directors. All employees of the Company, its subsidiaries or affiliates who work 20 hours per week or more with at least 12 months of continuous employment and all directors are eligible to participate.

Under the Purchase Plan, eligible participants are to purchase from any third party and on the open market shares of the Common Stock and, upon providing evidence of the purchase to the Company, the employees would receive a payment from the Company equal to 15% of the full price of the shares. Reimbursement for total purchases in any one year is limited to 7% of the employee's gross income from the Company in the prior calendar year. Costs related to the sale of such shares are borne by the individuals. Participants must sign a

Table of Contents

Employee Stock Acquisition Plan (cont d)

statement acknowledging that they are aware of the condition of the Purchase Plan that the shares purchased may not be sold for a period of one year.

Participants are entitled, with respect to Common Stock acquired under the Purchase Plan, to the same rights and distributions as are other holders of the Common Stock. The Purchase Plan was not designed to comply with the requirements of Section 423 of the Code with respect to employee stock purchase plans. As a result, participants in the Purchase Plan are taxed for federal income tax purposes in the year the refund is received by them. Costs incurred by the Company pursuant to the Purchase Plan are deductible as an expense by the Company.

Incentive Compensation Plan. The Company has also implemented the Flagstar Bancorp, Inc. 1997 Incentive Compensation Plan (the Incentive Compensation Plan) which is unfunded and as to which benefits are payable only in the form of cash from the Company's general assets. The purposes of the Incentive Compensation Plan is to attract and retain the best available personnel for positions of substantial responsibility with the Company and to provide additional incentives to employees of the Company in the event the Company achieves certain financial performance goals indicative of its profitability and stability.

The Incentive Compensation Plan is administered by the Company's Compensation Committee. The Compensation Committee decides, from year to year, which employees of the Company are eligible to participate in the Incentive Compensation Plan and the size of the bonus pool. Directors who are not employees may not participate in the Incentive Compensation Plan.

Each employee who is eligible to receive a bonus at the end of a plan year will receive a bonus equal to a predetermined amount adjusted by a mathematical formula which reflects aspects of the Company's results for that year. However, the Incentive Compensation Committee may, in its discretion, by resolution adopted before the first day of any plan year, change said percentage. The aggregate amount of bonuses payable for any plan year will be proportionately reduced to the extent that the payment would cause the Bank to cease to be a well-capitalized institution. For 2002, the Incentive Compensation Plan provided for bonuses to be tied to return on equity, deposit growth, net interest margin, and the volume of loan originations.

Only Messrs. Thomas and Mark Hammond were participants in this plan during 2001 and 2000. During 2002, all of the six named executives were participants in the plan.

Deferred Compensation Plan. The Company has implemented the 1997 Deferred Compensation Plan, which is intended to permit employees and directors to defer the current receipt of income until such time as funds or assets are distributed in the future. Employees may elect to defer up to 25 percent of annual compensation and directors may defer their entire compensation. Funds deferred remain the property of the Company and subject to the claims of the creditors of the Company in the event of default. However, the funds will be placed in a trust with an independent trustee and the individual participants may direct that their deferred amounts be invested in stock of the Company purchased on the open market. Upon withdrawal, the participant will have the option of receiving the stock or the proceeds of its sale at the then market price. All withdrawals from the trust would then be taxable as ordinary income. There have been no participants in this plan.

Whole Life Insurance Policy. The Company pays the premiums of variable whole life insurance policies which are available to all officers of the Company. The beneficiary of each such policy is the estate of the officer, except that the Company is the beneficiary to the extent of all premiums paid by the Company for such policy.

Table of Contents

REPORT OF THE COMPENSATION COMMITTEE

Overview and Philosophy

The Company's executive officers are also executive officers of the Bank and are compensated by the Bank not the Company. However, the responsibility for setting policies that govern executive compensation, and for recommending the components and structure of the compensation plans for executive officers of the Company rests with the Company's Compensation Committee (the Committee). The Committee is comprised of Directors James D. Coleman and C. Michael Kojaian.

Under the direction of the Committee, the Company has developed and implemented compensation policies and plans that embody a pay-for-performance philosophy. The policies and plans encourage achievement of objectives as formulated by the Company's Board of Directors and its committees and reward exceptional performance as determined by the Committee. In the opinion of the Committee, this approach strengthens the Company's long-term performance by making the goals and objectives of executive management congruent with those of the Company and its stockholders. The Committee also believes that competitive executive compensation and the structure of the Company's compensation plans are essential to the Company's desire to attract and retain qualified management. For 2002, the Committee considered and determined the compensation for each of the executive officers stated above. In both 2001 and 2002, the Committee utilized the services of Clark/ Bards Consulting as a consultant in determining appropriate compensation levels for the executive officers.

Executive Compensation Programs

Within this overall purpose, the Committee has determined that the Company's executive compensation program should have four primary components: base salary; cash bonuses under the stockholder-approved incentive compensation plan; long-term incentive compensation in the form of stock option awards under the stockholder-approved Option Plan or restricted stock awards under the Stock Incentive Plan; and other competitive benefits. Base and incentive compensation for executive officers depends primarily on regional and national surveys of compensation paid to executive officers of other savings and loan holding companies, commercial banks and mortgage lending institutions similar in size, market capitalization, scope of operations and other characteristics, as well as the Company's operating results.

Base Compensation. The Committee has determined that the base compensation for the Company's executive officers should be based primarily on the salaries paid to executives having comparable responsibilities at other similar institutions. A primary, but not the sole, source of information upon which the base compensation of executive officers is based are available surveys of compensation paid to executives performing similar functions at other financial institutions and/or mortgage banking companies. In setting base salaries, the Committee also considers other qualitative factors such as the overall performance of the Company and the personal performance and effectiveness of each officer.

Incentive Compensation. The Company has adopted the Incentive Plan, which relies on the specific performance of the Company each year compared with benchmark performance levels of returns on assets and equity, the OTS CAMELS rating of the Bank, deposit growth and loan origination volume, all considered in relation to the annual forecasted goals of the Company. Incentive compensation under the Incentive Plan is issued in the form of cash, the amount of which is generally based upon a mathematical formula.

Long-Term Incentive Compensation. The Compensation Committee believes that the grant of stock options encourages the Company's executives to focus on managing the Company from the perspective of an equity owner. The Company has therefore adopted two plans that enable employees and officers to develop an equity interest in Flagstar, the most significant of which for senior officers are the Option Plan and the Purchase Plan.

Stock options have been granted under the Option Plan to senior and mid-level executives, the amounts and terms of which were determined by the Option Committee. The number of options granted was based on criteria that included consideration for the officer's responsibility, performance and salary level. The value of

Table of Contents

these options, which become exercisable after a prescribed vesting period are issued for a ten year term including the vesting period.

In addition, in June 2001, the Company's Board of Directors adopted the Flagstar Bancorp 2001 Stock Incentive Plan. This plan allows the distribution of stock as compensation to the employee or director. The distributed stock is issued after an initial vesting period and the employee is taxed on the distribution at the then fair market value.

Other Benefits. In addition to the foregoing, the Company provides medical, dental and life insurance and defined contribution pension plan qualifying under Sections 401(a) and Section 401(k) of the Internal Revenue Code of 1986, as amended to senior executives that are generally available to all Company employees, and other perquisites that are comparable to standards within the financial institutions industry.

Compensation of the Chief Executive Officer

As Chief Executive Officer, Mark T. Hammond's base salary is reviewed annually by the Committee in accordance with the procedures and policies described above. Since the Company's executive compensation plans discussed previously are for the most part linked to the Company's performance compared with the peer group and subject to formula calculation, his participation in these plans is determined in the same general manner as are the other executive officers.

The Committee believes that Mr. Hammond's total compensation for 2002 appropriately reflected his contribution to the Company's financial results.

OPTION AND COMPENSATION COMMITTEE

/s/ James D. Coleman,

James D. Coleman,
Chairman
Director
Flagstar Bancorp

/s/ C. Michael Kojanian

C. Michael Kojanian
Member
Director
Flagstar Bancorp

Table of Contents

Option and Compensation Committee Interlocks and Insider Participation

The Compensation Committee of the Company reviews the compensation of the executive officers and, in 2002, was comprised of James D. Coleman and C. Michael Kojaian.

No member of the Option and Compensation Committee engaged in transactions with the Company or any subsidiary involving more than \$60,000 during the year ended December 31, 2002, or otherwise rendered services to the Company through a law firm or investment banking firm.

No executive officer of the Company, at any time during 2002, also served on a compensation committee or otherwise as a director of another company whose executive officer served on the Company's Compensation Committee or as a director of the Company.

Table of Contents**Cumulative Stock Performance Graph**

The graph and table that follow show the cumulative return on the Common Stock since December 31, 1997. This return is compared in the table and graph with the cumulative return over the same period with the following three indices: (i) the Nasdaq Financial 100 Index (2) the Nasdaq Bank Index, and (3) the S&P Small Cap 600 Index. The graph and table were prepared assuming that \$100 was invested on December 31, 1997 in the Common Stock and in each of the indices. Cumulative total return on the Common Stock or the three indices equals the total increase in value since December 31, 1997. No reinvestment of dividends has been assumed due to immaterial amounts paid. The stockholder returns shown on the performance graph are not necessarily indicative of the future performance of the Common Stock or any particular index.

CUMULATIVE TOTAL STOCKHOLDER RETURN**COMPARED WITH PERFORMANCE OF SELECTED INDICES
DECEMBER 31, 1997 THROUGH DECEMBER 31, 2002**

Index	12/31/97	6/30/98	12/31/98	6/30/99	12/31/99	6/30/00	12/31/00	6/30/01	12/31/01	6/30/02	12/31/02
Flagstar Bancorp, Inc.	100.00	123.15	131.98	127.60	87.18	41.03	125.72	105.05	151.81	261.30	244.33
Nasdaq Financial 100	100.00	100.87	97.23	101.57	88.52	75.94	98.26	101.48	101.56	107.75	97.76
Nasdaq Banks	100.00	101.90	88.23	89.64	81.19	71.88	93.10	101.09	102.48	115.48	107.11
S & P Smallcap 600 Index	100.00	105.73	97.90	102.41	109.18	116.31	121.21	127.88	128.16	127.71	108.53

Table of Contents

Certain Transactions

The Company and its subsidiaries have had, and expect to have in the future, transactions in the ordinary course of business with directors and executive officers and members of their immediate families, as well as with principal stockholders. The following business transactions were conducted in the ordinary course of business on substantially the same terms as those prevailing for comparable transactions with non-affiliated persons. It is the belief of management that such loans or transactions neither involved more than the normal risk of collection nor presented other unfavorable features.

Mr. Richard Elsea is a member of the Company's Board of Directors and the Company's Audit Committee. Mr. Elsea is the owner of John Adams Mortgage Company, a mortgage origination firm that sells mortgage loans to the Company.

John Adams Mortgage sold \$4.6 million in mortgage loans to the Company during 2002.

Mr. John Kersten is a member of the Company's Board of Directors and the Company's Audit Committee. Mr. Kersten is the owner of Cambridge Mortgage Company, a correspondent of the Company.

Cambridge Mortgage sold \$242.5 million in mortgage loans to the Company during 2002.

Cambridge Mortgage is also a customer that utilizes the Company's warehouse lending program offered through the Company's commercial loan division. Cambridge Mortgage has an approved line of credit of \$15.5 million. The average amount outstanding during 2002 was \$8.6 million, with a high balance of \$18.3 million and a balance at December 31, 2002, of \$14.7 million. Mr. Kersten has personally guaranteed this line of credit.

Mr. John Kersten and Town and Country Real Estate Company are also joint guarantors on a \$600,000 commercial line of credit that had an average outstanding balance during 2002 of \$336,020. The outstanding balance of this loan at December 31, 2002, was \$596,020.

During 2002, the Company disbursed \$191,038 to its legal representatives in order to attend to matters covered in the Stockholders Rights Agreement dated May 7, 1997. These fees were paid for services provided to Mr. Thomas J. Hammond, Mr. Mark T. Hammond, Mrs. Carrie Langdon, and Mrs. Catherine Rondeau. These services were for the most part required for stock registration in stock sales transactions.

Mr. Robert O. Rondeau, Jr. is an Executive Vice President of the Company. During 2002, the Company engaged in certain transaction with Select Financial, a Rhode Island mortgage company owned by Robert and Marie Rondeau, the parents of Mr. Rondeau.

Select Financial is a correspondent of the Company and sold \$75.5 million in mortgage loans to the Company during 2002.

Select Financial is also a customer that utilizes the Company's warehouse lending program offered through the Company's commercial loan division. Select Financial has an approved line of credit of \$7.3 million. The average amount outstanding during 2002 was \$3.1 million, with a high balance of \$11.0 million and a balance at December 31, 2002, of \$9.4 million. During 2002, 576 advances were completed. Robert and Marie Rondeau have personally guaranteed this line of credit.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the SEC and to furnish the Company with copies of all such reports. Based solely on its review of copies of such reports received by it, or written representations from certain

Table of Contents

reporting persons that no annual report of change in beneficial ownership is required, the Company believes that all transactions that occurred during the year ended December 31, 2002 were satisfactorily reported, except a late filing was made on behalf of (i) the chairman of the board and each executive officer of the Company reporting the grant of a stock bonus on November 29, 2002 and (ii) former bank director Ellman reporting the exercise of stock options, the resulting acquisition of shares and the sale of shares acquired in connection therewith, all on April 26, 2002.

Independent Auditors

Grant Thornton LLP served as the Company's independent auditors for the year ended December 31, 2002. A representative of Grant Thornton LLP is expected to be present at the Annual Meeting and available to respond to appropriate questions, and will have the opportunity to make a statement if he or she so desires.

Audit Fees

Aggregate fees billed for professional services rendered for the audit of the Company's annual consolidated financial statements for the year ended December 31, 2002, and the review of financial statements included in the quarterly form 10-Q filed with the Securities and Exchange Commission for that year were; \$311,099. Fees billed in 2001 totaled \$243,000 for audit services.

Financial Information System Design and Implementation Fees

No professional services were rendered by Grant Thornton LLP for the year ended December 31, 2002, with respect to, directly or indirectly, operating, or supervising the operation of, the Company's information systems or managing the Company's local area network or designing or implementing a hardware or software system that aggregates source data underlying the financial statements or generates information that is significant to the Company's financial statements taken as a whole.

All Other Fees

The aggregate fees billed during 2002 for all other services, primarily tax related, rendered by Grant Thornton LLP totaled \$173,275 in 2002 and \$96,875 in 2001.

The Company's Audit Committee has concluded that the provision of services covered under the caption All Other Fees is compatible with Grant Thornton LLP maintaining its independence. None of the hours expended on Grant Thornton's engagement to audit the consolidated financial statements for the year ended December 31, 2002, were attributed to work performed by persons other than Grant Thornton's full-time, permanent employees.

Stockholder Proposals

It is anticipated that the Company's Annual Meeting in 2004 will be held on May 10, 2004 and any stockholder who intends to present a proposal for action at that meeting and would like a copy of the proposal included in the Company's proxy materials must forward a copy of the proposal or proposals to the Company's principal executive office at 5151 Corporate Dr. Road, Troy, Michigan 48098, and it must be received by the Company not later than November 30, 2003. The Company will have discretionary authority to vote proxies on matters at the 2003 annual meeting if the matter is not included in the proxy statement and notice by a stockholder to consider the matter was not received by the Company prior to the deadline provided in the Company's Bylaws for such matters. Nothing in this paragraph shall be deemed to require the Company to include in its proxy statement and proxy relating to the 2004 Annual Meeting any stockholder proposal that does not meet all of the requirements for inclusion established by the Securities and Exchange Commission in effect at the time such proposal is received.

Table of Contents

Other Matters

The Board of Directors is not aware of any other business to be presented for action by the stockholders at the 2003 Annual Meeting other than those matters described in this proxy statement and matters incident to the conduct of the 2003 Annual Meeting. If, however, any other matters are properly brought before the Annual Meeting, the persons named in the accompanying proxy will vote such proxy on such matters as determined by a majority of the Board of Directors.

Miscellaneous

The cost of soliciting proxies will be borne by the Company. The Company will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of Common Stock. In addition to solicitations by mail, directors, officers and regular employees of the Company may solicit proxies personally or by telegraph or telephone number without additional compensation.

The Company's 2002 Annual Report to Stockholders (the Annual Report), including financial statements, has been mailed to all persons who were stockholders of record as of the close of business on the Record Date. Any stockholder who has not received a copy of the Annual Report may obtain a copy by writing to the Chief Financial Officer of the Company. The Annual Report is not to be treated as a part of this proxy solicitation material or as having been incorporated herein by reference.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ MARY KAY MCGUIRE

Mary Kay McGuire
Secretary

Troy, Michigan
March 31, 2003

ANNUAL REPORT ON FORM 10-K

A copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2002, as filed with the Securities and Exchange Commission, will be furnished without charge to persons who were stockholders as of the Record Date upon written request to Michael W. Carrie, Chief Financial Officer, Flagstar Bancorp, Inc., 5151 Corporate Dr., Troy, Michigan 48098.

Table of Contents

FLAGSTAR BANCORP, INC.
5151 Corporate Dr.
TROY, MICHIGAN 48098

REVOCABLE PROXY FOR THE ANNUAL MEETING
OF STOCKHOLDERS
MAY 5, 2003

The undersigned hereby constitutes and appoints Charles Bazzy and Joan H. Anderson, and each of them, the proxies of the undersigned, with full power of substitution, to attend the Annual Meeting of Stockholders of Flagstar Bancorp, Inc. (the Company) to be held at the national headquarters of the Company and Flagstar Bank, FSB, located at 5151 Corporate Dr., Troy, Michigan on May 5, 2003 at 1:00 p.m., local time, and any adjournments thereof, and to vote all the shares of stock of the Company which the undersigned may be entitled to vote, upon the following matters.

THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS OF THE COMPANY, WILL BE VOTED IN ACCORDANCE WITH THE INSTRUCTIONS MARKED HEREIN, AND WILL BE VOTED FOR THE ELECTION OF DIRECTORS AND AS DETERMINED BY A MAJORITY OF THE BOARD OF DIRECTORS AS TO OTHER MATTERS, IF NO INSTRUCTIONS TO THE CONTRARY ARE MARKED HEREIN AND TO THE EXTENT THIS PROXY CONFERS SUCH DISCRETIONARY AUTHORITY.

- (1) The election of Directors: Michael W. Carrie, Richard S. Elsea, Robert O. Rondeau, Jr., Kirstin A. Hammond, and James D. Coleman.

FOR all nominees listed above WITHHOLD AUTHORITY
(except as marked to the contrary to vote for all nominees listed below). above.

(INSTRUCTION: TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE, PRINT THAT NOMINEE'S NAME BELOW.)

(2) The transaction of such other business as may properly come before the Annual Meeting or any adjournments thereof. The undersigned hereby acknowledges receipt of a copy of the accompanying Notice of Annual Meeting of the Stockholders and Proxy Statement and the Annual Report to Stockholders for the year ended December 31, 2002, and hereby revokes any proxy heretofore given. THIS PROXY MAY BE REVOKED AT ANY TIME BEFORE ITS EXERCISE.

Date: _____

Signature: _____

Signature: _____

PLEASE MARK, DATE AND SIGN AS YOUR NAME APPEARS HEREIN AND RETURN IN THE ENCLOSED ENVELOPE. If acting as executor, administrator, trustee, guardian, etc. you should so indicate when signing. If the signor is a corporation, please sign the full name by duly appointed officer. If a partnership, please sign in partnership name by authorized person. If shares are held jointly, each stockholder named should sign.