

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

DEBRA GRIFFIN and JOY GARDNER, on
Behalf of Themselves and a Class of Persons
Similarly Situated,

CASE NO.: 2:10-cv-10610

Plaintiffs,

v.

FLAGSTAR BANCORP, INC.; REBECCA A.
LUCCI; ERIN ENGLAND; JOHN DOES 1-10,
AND RICHARD ROES 1-20,

Defendants.

**ORDER GRANTING PRELIMINARY APPROVAL OF CLASS ACTION
SETTLEMENT, PRELIMINARILY CERTIFYING A CLASS FOR SETTLEMENT
PURPOSES, APPROVING FORM AND MANNER OF CLASS NOTICE AND SETTING
DATE FOR HEARING ON FINAL APPROVAL OF SETTLEMENT**

This *Action* involves claims for alleged violations of the Employee Retirement Income Security Act of 1974, as amended, 29 U.S.C. §§ 1001, *et seq.* (“ERISA”), with respect to the Flagstar Bank 401(k) Plan (the “*Plan*”).

The terms of the *Settlement* are set out in the Class Action Settlement Agreement fully executed as of May 2, 2013 (the “*Agreement*” or “*Settlement Agreement*”), by counsel on behalf of the *Named Plaintiffs* and the *Defendant*.¹

Pursuant to *Named Plaintiffs*’ Motion for Preliminary Approval, on May 2, 2013, the *Court* preliminarily considered the *Settlement* to determine, among other things, whether the *Settlement* is sufficient to warrant the issuance of notice to members of the proposed *Settlement*

¹ Capitalized and Italicized terms not otherwise defined in this Order shall have the same meaning as ascribed to them in the *Settlement Agreement*.

Class. Upon reviewing the *Settlement Agreement* and the matter having come before the *Court* on July 25, 2013, it is hereby ORDERED, ADJUDGED AND DECREED as follows:

1. **Class Findings:** Solely for the purposes of the *Settlement*, the *Court* finds that the requirements of the Federal Rules of Civil Procedure, the Constitution of the United States, the Rules of the *Court* and any other applicable law have been met as to the *Settlement Class* defined in paragraph 2 below, in that:

(a) The *Court* preliminarily finds, for purposes of settlement only, that, as required by FED. R. CIV. P. 23(a)(1), the *Settlement Class* is ascertainable from records kept with respect to the *Plan* and from other objective criteria, and that the members of the *Settlement Class* are so numerous that their joinder before the *Court* would be impracticable.

(b) The *Court* preliminarily finds, for purposes of settlement only, that, as required by FED. R. CIV. P. 23(a)(2), there are one or more questions of fact and/or law common to the *Settlement Class*.

(c) The *Court* preliminarily finds, for purposes of settlement only, that, as required by FED. R. CIV. P. 23(a)(3), the claims of the *Named Plaintiffs* are typical of the claims of the *Settlement Class*.

(d) The *Court* preliminarily finds, for purposes of settlement only, that, as required by FED. R. CIV. P. 23(a)(4), the *Named Plaintiffs* will fairly and adequately protect the interests of the *Settlement Class* in that: (i) the interests of the *Named Plaintiffs* and the nature of their alleged claims are consistent with those of the members of the *Settlement Class*, (ii) there appear to be no conflicts between or among the *Named Plaintiffs* and the *Settlement Class*, and (iii) the *Named Plaintiffs* and the members of the *Settlement Class* are represented by qualified,

reputable counsel who are experienced in preparing and prosecuting large, complex ERISA class actions.

(e) The *Court* preliminarily finds, for purposes of settlement only, that, as required by FED. R. CIV. P. 23(b)(1), the prosecution of separate actions by individual members of the *Settlement Class* would create a risk of: (i) inconsistent or varying adjudications as to individual *Settlement Class* members that would establish incompatible standards of conduct for the parties opposing the claims asserted in this *Action* and (ii) adjudications as to individual *Settlement Class* members that would, as a practical matter, be dispositive of the interests of the other members not parties to the adjudications, or substantially impair or impede the ability of such persons to protect their interests.

(f) The *Court* preliminarily finds for purposes of settlement only, that, as required by FED. R. CIV. P. 23(g), *Class Counsel* are capable of fairly and adequately representing the interests of the *Settlement Class*, in that *Class Counsel* (i) have done appropriate work identifying and investigating potential claims in the action, (ii) are experienced in handling ERISA class actions, and (iii) have committed the necessary resources to represent the *Settlement Class*.

2. **Class Certification** – The *Court*, in conducting the settlement approval process required by FED. R. CIV. P. 23 certifies, for purposes of settlement only, the following class under FED. R. CIV. P. 23(b)(1) (the “*Settlement Class*”):

All current and former participants and beneficiaries of the Flagstar Bank 401(k) Plan (the “Plan”) for whose individual accounts the Plan held shares of common stock of Flagstar Bancorp, Inc. (“Flagstar” or the “Company”) at any time from December 31, 2006 to May 2, 2013, inclusive.

The *Court* appoints the *Named Plaintiffs* as representatives for the *Settlement Class* and *Class Counsel* as counsel for the *Named Plaintiffs* and the *Settlement Class* under Fed R. Civ. P.

23(g)(1). Any certification of a preliminary *Settlement Class* pursuant to the terms of the *Settlement Agreement* shall not constitute and does not constitute, and shall not be construed or used as an admission, concession, or declaration by or against *Defendant*, that (except for the purposes of the *Settlement*) this *Action* or any other action is appropriate for class treatment under FED. R. CIV. P. 23 or any similar federal or state class action statute or rule.

3. **Preliminary Findings Regarding Proposed Settlement** – The *Court* preliminarily finds that (i) the proposed *Settlement* resulted from extensive arm’s-length negotiations, (ii) the *Settlement Agreement* was executed only after *Class Counsel* had conducted appropriate investigation and fact-finding regarding the strengths and weaknesses of *Plaintiffs’* claims, (iii) *Class Counsel* have substantial experience in ERISA class action cases and *Class Counsel* concluded that the proposed *Settlement* is fair, reasonable and adequate, and (iv) the proposed *Settlement* is sufficiently fair, reasonable and adequate to warrant sending notice of the proposed *Settlement* to the *Settlement Class*. Having considered the essential terms of the *Settlement Agreement* under the recommended standards for preliminary approval of settlements as set forth in relevant jurisprudence, the *Court* finds that those whose claims would be settled, compromised, dismissed and/or released pursuant to the *Settlement* must be given notice and an opportunity to be heard regarding final approval of the *Settlement* and other relevant matters.

4. **Fairness Hearing** – A hearing is scheduled for **December 3, 2013 at 2:30 p.m.** (the “*Fairness Hearing*”) to determine, among other things:

- Whether the *Settlement* merits final approval as fair, reasonable and adequate;
- Whether the *Action* should be dismissed with prejudice pursuant to the terms of the *Settlement*;
- Whether the notice method proposed by the *Parties*: (i) constitutes the best

practicable notice, (ii) constitutes notice reasonably calculated, under the circumstances, to apprise members of the *Settlement Class* of the pendency of the litigation, their right to object to the *Settlement*, and their right to appear at the *Fairness Hearing*, (iii) is reasonable and constitutes due, adequate, and sufficient notice to all persons entitled to notice and (iv) meets all applicable requirements of the Federal Rules of Civil Procedure and any other applicable law;

- Whether *Class Counsel* adequately represented the *Settlement Class* for purposes of entering into the *Settlement*;
- Whether the proposed *Plan of Allocation* should be approved; and
- Whether any motion(s) for attorneys' fees and reimbursement of expenses and *Case Contribution Awards* to the *Named Plaintiffs* is fair and reasonable and should be approved.

5. ***Class Notice*** – The *Named Plaintiffs* and *Class Counsel* have presented to the *Court* a proposed form of *Class Notice*, appended hereto as Exhibit 1, and a *Summary Notice* appended hereto as Exhibit 2. The *Court* finds that such forms fairly and adequately: (a) describe the terms and effect of the *Settlement Agreement*, the *Settlement* and the *Plan of Allocation*, (b) notify the *Settlement Class* that *Class Counsel* will seek attorneys' fees and reimbursement of expenses from the *Settlement Fund* up to limits stated therein and for *Case Contribution Awards* up to \$5,000 for the two *Named Plaintiff* for their service in such capacities, (c) give notice to the *Settlement Class* of the time and place of the *Fairness Hearing*, and (d) describe how the recipients of the *Class Notice* may object to any of the relief requested. *Named Plaintiffs* and *Class Counsel* have proposed the following manner of communicating the notice to members of the *Settlement Class*, and the *Court* finds that such proposed manner is the

best notice practicable under the circumstances. Accordingly, the *Court* directs that *Class Counsel* shall:

- By no later than **August 26, 2013**, cause the Notice of Class Action Settlement in the form of Exhibit 1 hereto, with such non-substantive modifications thereto as may be agreed upon by the *Parties*, to be mailed by first-class mail, postage prepaid, to the last known address of each member of the *Settlement Class* who can be identified by reasonable effort. In connection with *Class Notice*, the *Company* shall request as soon as reasonably possible that records reasonably available in computer readable format sufficient to reflect the names and last known addresses of members of the *Settlement Class* be made available from the *Plan* to *Class Counsel* to be used solely for purposes of this *Settlement*. The names and addresses *Class Counsel* obtains pursuant to this Order shall be used solely for the purpose of providing notice of this *Settlement*.
- By no later than **September 3, 2013**, cause the Summary Notice in the form appended hereto as Exhibit 2 to be published in Business Wire and on a settlement-related website.

6. **Objections to Settlement** – Any member of the *Settlement Class* who wishes to object to the fairness, reasonableness or adequacy of the *Settlement*, to any term of the *Settlement Agreement*, to the *Plan of Allocation*, to the proposed award of attorneys' fees and expenses or to the request for *Case Contribution Awards* for the *Named Plaintiffs* may file an objection. An objector must file with the Court Clerk a statement of his, her, or its objection(s), specifying the reason(s), if any, for each such objection, including any legal support and/or evidence that such objector wishes to bring to the attention of the *Court* or introduce in support of such objection, as

well as information sufficient to show that the objector is a member of the *Settlement Class*. The objector must also mail copies of the objection and all supporting law and/or evidence to *Class Counsel* and to counsel for the *Defendants*. The addresses for filing objections with the *Court* and service on counsel are as follows:

For Filing:

Clerk of the Court,
United States District Court
for the Eastern District of Michigan (Southern Division),
Theodore Levin U.S. Courthouse
231 W. Lafayette Blvd.
Detroit, MI 48226
Re: *Griffin v. Flagstar Bancorp, Inc. et al*, Docket No. 2:10-cv-10610

To Class Counsel:

STULL, STULL & BRODY	IZARD NOBEL LLP
Attn: Michael J. Klein, Esq.	Attn: Robert A. Izard
6 East 45th Street	29 South Main Street, Suite 215
New York, NY 10017	West Hartford, CT 06107

To Defendants' Counsel:

**QUINN EMANUEL URQUHART OLIVER &
HEDGES LLP.**
Attn: Jon Steiger
865 S. Figueroa St 10th Floor
Los Angeles, Ca 90017

Any objector or his, her, or its counsel (if any) must effect service of copies of the objection on counsel listed above and file it with the *Court* by no later than **November 13, 2013**. If an objector hires an attorney to represent him, her, or it for the purposes of making such objection pursuant to this paragraph, the attorney must both effect service of a notice of appearance on counsel listed above and file it with the *Court* by no later than **November 20, 2013**. Any member of the *Settlement Class* or other person who does not timely file and serve a written objection complying with the terms of this paragraph shall be deemed to have waived,

and shall be foreclosed from raising, any objection to the *Settlement* (in this proceeding, on any appeal or in any other proceedings), and any untimely objection shall be barred absent an Order from the *Court*.

7. Counsel shall file their final brief in support of settlement no later than **October 28, 2013**.

8. **Appearance at *Fairness Hearing*** – Any objector who files and serves a timely and valid written objection in accordance with paragraph 6 above may also appear at the *Fairness Hearing* either in person or through qualified counsel retained at the objector's expense. Objectors or their attorneys intending to appear at the *Fairness Hearing* must effect service of a notice of intention to appear setting forth, among other things, the name, address, and telephone number of the objector (and, if applicable, the name, address, and telephone number of the objector's attorney), and information sufficient to show that the objector is a member of the *Settlement Class*, on *Class Counsel* and *Defendants'* counsel (at the addresses set out above) and file it with the Court Clerk by no later than **November 29, 2013**. Any objector who does not timely file and serve a notice of intention to appear in accordance with this paragraph shall not be permitted to appear at the *Fairness Hearing*, except by Order of the *Court*.

9. ***Class Notice Expenses*** – The expenses of printing and mailing and publishing all notices required hereby shall be paid as described in Section 8.2 of the *Settlement Agreement*.

10. **Service of Papers** – *Defendant's* counsel and *Class Counsel* shall promptly furnish each other with copies of any and all objections that come into their possession, and shall make sure the same are electronically filed with the Court.

11. **Termination of *Settlement*** – This Order shall become null and void, *ab initio*, and shall be without prejudice to the rights of the *Parties*, all of whom shall be restored to their

respective positions as of January 10, 2013, if the *Settlement* is terminated in accordance with the terms of the *Settlement Agreement*.

12. **Use of Order** – This Order is not admissible as evidence for any purpose against *Defendant* or any current or former affiliate, officer, director or agent of *Defendant*, in any pending or future litigation involving any of the *Parties* or otherwise. This Order shall not be construed or used as an admission, concession, or declaration by or against *Defendant* or any current or former affiliate, officer, employee or agent of *Defendant* of any fault, wrongdoing, breach, or liability and *Defendant* specifically denies any such fault, breach, liability or wrongdoing. This Order shall not be construed or used as an admission, concession, or declaration by or against *Plaintiffs* or the *Settlement Class* that their claims lack merit or that the relief requested in the *Action* is inappropriate, improper or unavailable. This Order shall not be construed or used as an admission, concession, declaration or waiver by any party of any arguments, defenses, or claims he, she, or it may have, including, but not limited to, any objections by *Defendant* to class certification, in the event that the *Settlement Agreement* is terminated. Moreover, the *Settlement Agreement* and any proceedings taken pursuant to the *Settlement Agreement* are for settlement purposes only. Neither the fact of, nor any provision contained in the *Settlement Agreement* or its exhibits, nor any actions taken thereunder shall be construed as, offered into evidence as, received in evidence as, and/or deemed to be evidence of a presumption, concession, or admission of any kind as to the truth of any fact alleged or validity of any defense that has been, could have been, or in the future might be asserted.

13. **Jurisdiction** – The *Court* hereby retains jurisdiction for purposes of implementing the *Settlement*, and reserves the power to enter additional orders to effectuate the

fair and orderly administration and consummation of the *Settlement* as may from time to time be appropriate, and to resolve any and all disputes arising thereunder.

14. **Bar Order.** Pending final determination of whether the *Settlement* should be approved, the *Named Plaintiffs*, the *Plan*, the *Plan's* fiduciaries, and all members of the *Settlement Class* are each hereby barred and enjoined from instigating, instituting, commencing, maintaining or prosecuting any action in any court or tribunal that asserts any *Released Claim* against any *Released Party*.

15. **Continuance of Hearing** – The *Court* reserves the right to continue the *Fairness Hearing* without further written notice.

SO ORDERED this 29th day of July, 2013.

s/Paul D. Borman
HON. PAUL D. BORMAN
UNITED STATES DISTRICT JUDGE

CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing order was served upon each attorney or party of record herein by electronic means or first class U.S. mail on July 29, 2013.

s/Deborah Tofil
Deborah Tofil
Case Manager (313) 234-5122

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

DEBRA GRIFFIN and JOY GARDNER, on
Behalf of Themselves and a Class of Persons
Similarly Situated,

CASE NO.: 2:10-cv-10610

Plaintiffs,

v.

FLAGSTAR BANCORP, INC.; REBECCA A.
LUCCI; ERIN ENGLAND; JOHN DOES 1-
10, AND RICHARD ROES 1-20,

Defendants.

NOTICE OF CLASS ACTION SETTLEMENT

TO: ALL CURRENT AND FORMER PARTICIPANTS AND BENEFICIARIES OF THE FLAGSTAR BANK 401(K) PLAN (THE "PLAN") FOR WHOSE INDIVIDUAL ACCOUNTS THE PLAN HELD SHARES OF COMMON STOCK OF FLAGSTAR BANCORP, INC. ("FLAGSTAR" OR THE "COMPANY") AT ANY TIME FROM DECEMBER 31, 2006 TO THE MAY 2, 2013, INCLUSIVE (THE "SETTLEMENT CLASS").

**PLEASE READ THIS NOTICE CAREFULLY.
A FEDERAL COURT AUTHORIZED THIS NOTICE.
THIS IS NOT A SOLICITATION FROM A LAWYER.
YOU HAVE NOT BEEN SUED.
YOUR LEGAL RIGHTS MIGHT BE AFFECTED IF YOU ARE A
MEMBER OF THE SETTLEMENT CLASS DEFINED ABOVE.**

United States District Judge Paul D. Borman, of the United States District Court for the Eastern District of Michigan (Southern Division) (the "Court") has preliminarily approved a proposed settlement (the "Settlement") of a class action lawsuit brought under the Employee Retirement Income Security Act of 1974 ("ERISA"). The Settlement will provide for payments to the Plan and for allocation of those payments to the accounts of members of the Settlement Class, other than certain excluded persons under the terms of the Settlement, who had portions of their Plan accounts invested in Flagstar Bancorp, Inc. ("Flagstar" or the "Company") common stock and/or units of the Flagstar Stock Fund. The Settlement is summarized below.

The Court has scheduled a Fairness Hearing to consider the Named Plaintiffs' Motion for Final Approval of the Settlement and Class Counsel's Motion for Attorneys' Fees, Reimbursement of Expenses and Case Contribution Awards for the Named Plaintiffs (the "Motions"). That hearing has been scheduled for _____, in the Courtroom of Judge Paul D. Borman, United States District Court for the Eastern District of Michigan (Southern Division), Theodore Levin U.S. Courthouse 231 W. Lafayette Blvd., Room 740, Detroit, MI 48226. The time and date of the hearing may change. Please check the Settlement Website listed below for changes.

The Motions will be posted to the settlement website listed herein at least two weeks before objections are due, or by no later than _____, 2013. Any objections to the Settlement or the Motion for Attorneys' Fees, Reimbursement of Expenses and Case Contribution Awards for the Named Plaintiffs must be served in writing on Class Counsel identified on Page 9 of this Notice, and on Defendants' attorneys, who are also identified on Page 9 of this Notice. The procedure for objecting is described below.

This Class Notice contains summary information with respect to the Settlement. The terms and conditions of the Settlement are set forth in a Class Action Settlement Agreement (the "Settlement Agreement"). Capitalized terms used in this Class Notice but not defined in this Class Notice have the meanings assigned to them in the Settlement Agreement. The Settlement Agreement, and additional information with respect to this lawsuit and the Settlement, is available at an Internet site dedicated to the Settlement, www._____.com.

PLEASE READ THIS CLASS NOTICE CAREFULLY AND COMPLETELY. IF YOU ARE A MEMBER OF THE SETTLEMENT CLASS TO WHOM THIS CLASS NOTICE IS ADDRESSED, THE SETTLEMENT WILL AFFECT YOUR RIGHTS. YOU ARE NOT BEING SUED. YOU DO NOT HAVE TO APPEAR IN COURT. YOU DO NOT HAVE TO HIRE AN ATTORNEY. IF YOU ARE IN FAVOR OF THE SETTLEMENT, YOU DO NOT HAVE TO DO ANYTHING. IF YOU DISAPPROVE, YOU MAY OBJECT TO THE SETTLEMENT BY FOLLOWING THE PROCEDURES DESCRIBED BELOW.

YOUR LEGAL RIGHTS AND OPTIONS UNDER THE SETTLEMENT	
YOU ARE NOT REQUIRED TO DO ANYTHING.	If the Settlement is approved by the Court and you are a member of the Settlement Class other than an excluded person, as defined in the Settlement Agreement, you will not have to do anything to receive a payment. The portion, if any, of the Settlement Fund to be allocated to you will be calculated as part of the implementation of the Settlement.
NO ACTION IS NECESSARY TO RECEIVE A PAYMENT.	If you are currently participating in the Plan and are a member of the Settlement Class, any share of the Settlement Fund to which you are entitled will be deposited into your Plan account. If you no longer are a Plan participant but are a member of the Settlement Class, any share of the Net Proceeds to which you are entitled will be deposited in a Plan account that will be established for you, if necessary, and you will be notified of such account.
YOU MAY OBJECT TO THE SETTLEMENT BY	If you wish to object to any part of the Settlement, you may (as discussed below) write to the Court and counsel identified on Page 9 of this Class Notice about why you object to the Settlement.
YOU MAY ATTEND THE FAIRNESS HEARING TO BE HELD ON	If you submit a written objection to the Settlement to the Court and counsel before the Court-approved deadline, you may (but do not have to) attend the Fairness Hearing and present your objections to the Court. You may attend the Fairness Hearing even if you do not file a written objection, but you will be allowed to speak at the Fairness Hearing only if you file written comments in advance of the Fairness Hearing and file a notice of intention to appear.

- These rights and options – *and the deadlines to exercise them* – are explained in this Class Notice.
- The Court still has to decide whether to approve the Settlement. Payments will be made only if the Court approves the Settlement and that approval is upheld in the event of any appeal.

Further information regarding this litigation and this Class Notice may be obtained by contacting Class Counsel, who are:

STULL, STULL & BRODY
 Attn: Michael J. Klein, Esq.
 6 East 45th Street
 New York, NY 10017

IZARD NOBEL LLP
 Attn: Robert A. Izard
 29 South Main Street, Suite 215
 West Hartford, CT 06107

Class Counsel has established a toll-free phone number to receive your comments and questions: (XXX) XXX-XXXX. You may also send an email to _____@_____.com.

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QUESTIONS? CALL 1-(XXX)-XXX-XXXX TOLL FREE, OR VISIT WWW._____.COM.

PLEASE DO NOT CALL THE COURT OR FLAGSTAR WITH YOUR QUESTIONS.

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SUMMARY OF SETTLEMENT

This litigation (the “Action”) is a consolidated class action in which Named Plaintiffs allege that the Defendants breached fiduciary duties owed to the participants in and beneficiaries of the Plan under ERISA arising from the Plan’s investments in the Flagstar Stock Fund (consisting primarily of Flagstar common stock), at the direction of participants and beneficiaries from among the investment options offered by the Plan, from December 31, 2006 to the present. Copies of the Consolidated Complaint and other documents filed in the Action are available at www.com or from Class Counsel.

A Settlement Fund consisting of three million dollars (\$3,000,000.00) in cash is being established in the Action. The net amount in the Settlement Fund, including accrued interest earned on the Settlement Fund but less any taxes, expenses, approved attorneys’ fees and expenses and compensation to the Named Plaintiffs, will be paid to the Plan and then be allocated to Settlement Class members according to a Plan of Allocation to be approved by the Court.

STATEMENT OF POTENTIAL OUTCOME OF THE ACTION

Plaintiffs face an uncertain outcome if this Action continues. Defendants strongly dispute the claims asserted in the Action. If Plaintiffs’ case proceeded to trial, Plaintiffs could have faced a judgment or verdict greater or less than \$3 million, or no recovery at all. The Named Plaintiffs and the Defendants disagree on liability, and dispute the amount that would be recoverable even if the Plaintiffs were to prevail at trial. The Defendants have denied and continue to deny all claims and contentions by the Named Plaintiffs. The Defendants deny that they are liable to the Class, and that the Class or the Plan has suffered any damages for which the Defendants could be held legally responsible. Nevertheless, the Defendants have considered the uncertainty and risks inherent in any litigation, particularly in a complex case such as this, and the cost to litigate this case through trial, and have concluded that it is desirable that, particularly in light of the litigation costs alone, the Action be fully and finally settled on the terms and conditions set forth in the Settlement Agreement.

STATEMENT OF ATTORNEYS’ FEES AND COSTS SOUGHT IN THE ACTION

Class Counsel will apply to the Court for an order awarding attorneys’ fees not in excess of thirty three percent (33%) of the amount recovered in the Settlement, plus reimbursement of expenses. Any amount awarded will be paid from the proceeds of the Settlement Fund in such amounts that are approved by the Court. Defendants take no position on this application.

WHAT WILL THE NAMED PLAINTIFFS GET?

The Named Plaintiffs will share in the allocation of the Net Proceeds paid to the Plan on the same basis as all other members of the Settlement Class. In addition, the Named Plaintiffs will ask the Court to award up to \$5,000 to each of the two Named Plaintiffs in recognition of their representation of the Settlement Class. Any such compensation will be paid solely from the Settlement Fund.

BASIC INFORMATION

1. WHY DID I GET THIS NOTICE PACKAGE?

You or someone in your family may have been a participant in or beneficiary of the Plan at some time between December 31, 2006 and the present. The Court directed that this Class Notice be sent to you because, if you fall within that group, you may be a member of the Settlement Class and thus may have a right to know about the Settlement and the options available to you regarding the Settlement, before the Court decides whether to approve the Settlement. If the Court approves the Settlement, and after any objections and appeals are resolved, the net amount of the Settlement Fund will be paid to the Plan and then allocated among Settlement Class

members according to a Plan of Allocation. This Class Notice describes the Action, the Settlement, the proposed Plan of Allocation, your legal rights, what benefits are available, who is eligible for them and how to get them.

The Court in charge of this case is the United States District Court for the Eastern District of Michigan (Southern Division). The persons who sued are called "Named Plaintiffs," and the entity they sued is called the "Defendant." The Named Plaintiffs are Debra Griffin and Joy Gardner. The Defendant is Flagstar Bancorp, Inc.

2. WHAT IS THE ACTION ABOUT?

The Consolidated Complaint For Breach Of Fiduciary Duty And Violation Of ERISA Disclosure Requirements was filed June 4, 2010 on behalf of the Plan claiming losses to the Plan allegedly caused by alleged breaches of fiduciary duty under ERISA. Named Plaintiffs allege that Defendant violated ERISA by, among other things, (1) permitting the Plan to purchase and hold shares of Flagstar common stock from December 31, 2006 to May 2, 2013, when it is alleged that Defendants knew or should have known it was imprudent to do so. Many Plan participants chose to have contributions to the Plan invested in the Flagstar Stock Fund.

The Action claims that, under ERISA, the Defendant owed fiduciary duties of loyalty, care and prudence to the Plan, and that they violated those duties in connection with the Plan's investments in Flagstar stock. Specifically, Named Plaintiffs allege that Flagstar stock was an imprudent investment during the relevant period because (a) Flagstar was exposed to significant concentrations of credit risk in geographic areas that were some of the most negatively affected areas in the country, including Michigan, California and Florida; (b) Flagstar was not a profitable business, and it did not have good prospects; (c) the Company's credit costs and loan losses continually increased during the Class Period; (d) there were serious concerns about the Company's capital levels and seemingly ever-increasing capital was sunk into the Company, by both private parties and the government, diluting the shareholders' ownership in the Company and the Company's book value to avoid bankruptcy; (e) the Company was not able to pay dividends and lacked a reasonable basis for any positive prospects; and (f) the Company's debt and equity were downgraded repeatedly during the Class Period.

THE DEFENSES IN THE ACTION

The Defendant denies the allegations made by Named Plaintiffs, and deny that they have liability to the Plan or its participants or beneficiaries. If the Action were to continue, the Defendants would raise numerous defenses to liability, including among other things that:

- Defendant did not control the investment decisions of Plan participants, and did not encourage investment in Flagstar stock; it simply made it available as one of many alternative investments in which Plan participants could choose to direct their contributions and holdings;
- Flagstar common stock in fact was a prudent investment for the Plan and its participants, and performance of Flagstar stock, measured against other investments, particularly in recent years shows the prudence of maintaining it as one investment option at all times;
- Defendant fully and prudently discharged any fiduciary duties, including any disclosure duties under ERISA; and
- No decision, action or omission by Defendant caused any loss or harm to any Plan participant, because participants directed their own contributions and investments, and there were given adequate information and guidance to make reasonable investment choices. .

THE ACTION HAS BEEN VIGOROUSLY LITIGATED

Class Counsel has extensively investigated the allegations in the Action. Class Counsel has obtained and reviewed thousands of pages of documents, including Plan-governing documents and materials, Securities and Exchange Commission ("SEC") filings, press releases, public statements, news articles and other publications, and other documents regarding the matters that the Complaint alleges made investment in Flagstar stock an imprudent Plan investment.

This Action was litigated by the Named Plaintiffs and Class Counsel for almost three years before an agreement on settlement terms was reached. Plaintiff Griffin filed her complaint against Defendants on February 11, 2010. Thereafter, a substantially identical case was filed by Joy Gardner. On April 1, 2010, the Court consolidated the then-filed ERISA cases.

On June 4, 2010, Named Plaintiffs filed a Consolidated Complaint for Violations of ERISA (the "Complaint") which superseded their previous complaints. On July 16, 2010, Defendants moved to dismiss Complaint, which Plaintiffs opposed. The motion was fully briefed, including supplemental submissions, and the Court granted Defendants motion on March 31, 2011, effectively ending the Action. Plaintiffs appealed and the Court of Appeals reinstated the case in substantial part. The case then settled after it was remanded to the Court.

SETTLEMENT DISCUSSIONS

The proposed Settlement is the product of lengthy negotiations between Class Counsel and the Defendant's counsel, which negotiations were facilitated by a professional mediator. Throughout the negotiations, Class Counsel and Defendant's counsel were advised by individuals with expertise in the estimation of potential losses or damages in cases involving ERISA fiduciary liability.

3. WHY IS THIS CASE A CLASS ACTION?

In a class action, one or more plaintiffs, called "class representatives" or "Named Plaintiffs," sue on behalf of people who have similar claims. All of these people who have similar claims collectively make up the "Class" and are referred to individually as "class members." One case resolves the issues for all Settlement Class members together. Because the wrongful conduct alleged in this Action affected a large group of people –thousands of participants of the 401(k) plan during the relevant time period – in a similar way, the Named Plaintiffs filed this case as a class action.

4. WHY IS THERE A SETTLEMENT?

The parties settled this case after significant litigation had taken place. While Named Plaintiffs and Class Counsel believe their Action has merit, they recognize that the outcome was uncertain. Named Plaintiffs faced lengthy litigation on the merits of their claims, including motion practice, discovery, class certification proceedings, expert proof issues, trial and likely appeals.

As in any litigation, the Named Plaintiffs faced an uncertain outcome. On the one hand, continuation of the case could result in a judgment greater than this Settlement. But continuing the case could also result in no recovery at all or a recovery less favorable than the Settlement. Defendant aggressively defended the case, asserted defenses to all of the claims, made one successful motion to dismiss, and would have made further motions to try to again dismiss the case before trial. Based on these factors, Named Plaintiffs and Class Counsel have concluded that the proposed \$3 million cash Settlement is in the best interests of all Settlement Class members.

5. HOW DO I KNOW WHETHER I AM PART OF THE SETTLEMENT?

You are a member of the Settlement Class if you fall within the definition of the Settlement Class approved by the Court, which is:

All current and former participants and beneficiaries of the Flagstar Bank 401(k) Plan (the "Plan") for whose individual accounts the Plan held shares of common stock of Flagstar Bancorp, Inc. ("Flagstar" or the "Company") at any time from December 31, 2006 to May 2, 2013.

If you are a member of the Settlement Class, the amount of money you will receive, if any, will depend upon the amount of your loss as calculated in accordance with the Plan of Allocation described below.

THE SETTLEMENT BENEFITS – WHAT YOU GET

6. WHAT DOES THE SETTLEMENT PROVIDE?

A Settlement Fund consisting of \$3 million is being established in the Action. The net amount in the Settlement Fund, including interest, but less payment of, or establishment of reserves for, any taxes and Court-approved costs, attorneys' fees, and expenses, including fees and expenses of Class Counsel, the Settlement Administrator and any Court-approved Case Contribution Awards to be paid to the Named Plaintiffs, will be paid to the Plan and, after payment of expenses incurred in calculating, satisfying and administering the allocation, the remaining amount will be allocated to the Plan accounts of members of the Settlement Class according to a Plan of Allocation to be approved by the Court. If necessary, an account will be created for those members of the Settlement Class who no longer have Plan accounts.

If the Settlement is approved by the Court, all Settlement Class members and anyone claiming through them shall be deemed to fully release the "Released Parties" from "Released Claims."

The "Released Parties" are broadly defined, and include Defendant, any Person who served as a trustee or named or functional fiduciary of the Plan, and any director, officer, executive, employee or agent of Flagstar, together with, for each of the foregoing, any predecessors, Successors-In-Interest, present and former Representatives, direct or indirect parents, affiliates and subsidiaries, insurers, re-insurers, consultants, accountants, auditors, administrators, investment advisors, financial advisors, investment bankers, underwriters, and any Person that controls, is controlled by, or is under common control with any of the foregoing. "Representatives" mean any representatives, attorneys, agents, directors, officers, executives or employees. "Successor-In-Interest" means a Person's estate, legal representatives, heirs, successors or assigns, including successors or assigns that result from corporate mergers or other structural changes.

The “Released Claims” are also broadly defined and include any and all claims of any nature whatsoever (including claims for any and all losses, damages, demands, debts, obligations, costs, liabilities, benefits, rights, actions, judgments, suits, unjust enrichment, attorneys’ fees, expert or consultant fees, disgorgement of fees, litigation costs, injunction, declaration, contribution, indemnification, matters and issues of any kind whatsoever or any other type or nature of legal or equitable relief), whether accrued or not, fixed or contingent, liquidated or unliquidated, whether known, unknown, or unsuspected, in law or equity, matured or unmatured, foreseen or unforeseen, whether class, individual or derivative in nature, whether based on United States federal, state or local statutory or common law or any other law, rule or regulation, whether foreign or domestic, as well as any claim or right obtained by assignment, brought by way of demand, complaint, cross-claim, counterclaim, third-party claim or otherwise, in any court or other tribunal, arising out of or in any way related to, directly or indirectly, any or all of the acts, omissions, facts, matters, transactions or occurrences (i) that have been asserted in the Action against any of the Released Parties, (ii) that could have been asserted in the Action or in any forum by the Named Plaintiffs, members of the Settlement Class, or the Plan, or any of them or by their heirs, agents, executors, fiduciaries, administrators, beneficiaries, predecessors, successors or assigns (in their capacities as such), against any of the Released Parties, which arise out of or are related to (x) the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth or referred to in the Complaint, including without limitation any public statement, or any statement in any document relating to the Plan, by any Released Party during the Class Period, and (y) any purchase, sale, or retention of Flagstar common stock or units of the Flagstar Stock Fund in connection with the Plan during the Class Period, or (iii) that would be barred by principles of res judicata had the claims asserted in the Complaint been fully litigated and resulted in a Final judgment or order.

The Parties intend and agree that the Releases contemplated by the Settlement shall be effective as a bar to any and all claims within the scope of their express terms and provisions that are currently unsuspected, unknown, or partially known to exist in their favor that might have affected their decision(s) with respect to the Settlement. Accordingly, the Parties have stipulated and agreed that by operation of the Judgment becoming Final, Named Plaintiffs shall have expressly waived, and each member of the Settlement Class and the Plan shall be deemed to have waived, and the Defendants shall have expressly waived, any and all rights and benefits respectively conferred upon them by the provisions of Section 1542 of the California Civil Code and all similar provisions of the statutory or common laws of any other State, Territory, or other jurisdiction. Section 1542 reads in pertinent part:

A general release does not extend to claims that the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Named Plaintiffs, on their own behalf and on behalf of all members of the Settlement Class and on behalf of the Plan, and the Defendant have acknowledged that the foregoing waiver of the provisions of Section 1542 of the California Civil Code and all similar provisions of the statutory or common law of any other State, Territory, or other jurisdiction was separately bargained for and that neither Named Plaintiffs, on the one hand, nor the Defendant, on the other, would enter into the Settlement Agreement unless it included a broad release of unknown claims. Named Plaintiffs, on their own behalf and on behalf of all members of the Settlement Class and on behalf of the Plan, and the Defendant each expressly agree that all release provisions in this Settlement Agreement shall be given full force and effect in accordance with each and all of their express terms and provisions, including those terms and provisions relating to unknown, unsuspected, and future claims, demands, and causes of action. Named Plaintiffs assume for themselves, and on behalf of the Settlement Class, the Plan, and any party acting on behalf of the Plan or the Settlement Class, and the Defendant assume for themselves, the risk of his, her or its respective subsequent discovery or understanding of any matter, fact, or law, that if now known or understood, would in any respect have affected his, her, or its entering into the Settlement Agreement.

The above description of the proposed Settlement is only a summary. The complete terms, including the definitions of the Released Parties and Released Claims, are set forth in the Settlement Agreement (including its exhibits), which may be obtained at a dedicated Settlement Internet site, www._____.com or by contacting Class Counsel listed on Page 9 below.

7. HOW MUCH WILL MY PAYMENT BE? [THE PLAN OF ALLOCATION]

The Court has been asked to approve a Plan of Allocation which will be used to calculate distribution amounts to members of the Settlement Class. Pursuant to the proposed Plan of Allocation, each Settlement Class member’s “Stock Fund Net Loss” will be calculated by an agreed-upon third party administrator (the “Agreed Calculation Administrator”). For each Settlement Class member, his or her Net Loss will be equal to: (a) the dollar value, if any, of his or her account balance in the Flagstar Stock Fund on December 31, 2006; plus (b) the dollar value, if any, of all purchases of interests in the Flagstar Stock Fund for his or her account during the period from December 31, 2006 until May 2, 2013, as of the time of purchase(s); minus (c) the dollar value, if any, of all dispositions of interests in the Company stock in his or her account during the period from December 31, 2006 until May 2, 2013, as of the time of the disposition(s); minus (d) the dollar value of the balance in the Company stock remaining in his or her account on the close of business on May 2, 2013.

Each Settlement Class member’s Stock Fund Net Loss will be aggregated to yield the total loss over the Class Period on a preliminary basis. For purposes of aggregation, Settlement Class members who profited in their investment in the Flagstar Stock Fund shall be deemed to have a Stock Fund Net Loss of zero, and will not be entitled to a recovery under the Settlement.

QUESTIONS? CALL 1-(XXX)-XXX-XXXX TOLL FREE, OR VISIT WWW._____.COM.
PLEASE DO NOT CALL THE COURT OR FLAGSTAR WITH YOUR QUESTIONS.

Each Settlement Class member's percentage of the total loss for the Stock Fund Claims will be calculated by the Agreed Calculation Administrator. By Applying those percentages to the Net Proceeds for distribution the Agreed Calculation Administrator will calculate each Settlement Class members' shares of such proceeds.

All Settlement Class members whose preliminary share of either the Stock Fund Proceeds is greater than zero but less than or equal to ten dollars (\$10.00) will be deemed to have a Final Individual Dollar Recovery of zero for such proceeds. The Agreed Calculation Administrator will then recalculate the net loss percentage of those Settlement Class members whose preliminary share was greater than \$10.00 for each of the Stock Fund Claims, to arrive at each such Settlement Class member's final share of the Stock Fund Proceeds.

Current or former Flagstar employees who at any time during their employment, held a position within Flagstar ranked at the level of Executive Vice President, or EVP, or above, or the functional equivalent within the Flagstar organization, shall be deemed to have a Final Individual Dollar Recovery of zero.

Do not worry if you do not have records that show your Plan activity. If you are entitled to a share of the Net Proceeds, you will receive a statement showing the amount of your share. If you have questions regarding the allocation of the Settlement proceeds, please contact Class Counsel listed on Page 8 below.

8. HOW CAN I GET A PAYMENT?

You do not need to file a claim. If you are a Settlement Class member entitled to receive a share of the Settlement proceeds and you are a current Plan participant, your share will be deposited in your Plan account. If you are a Settlement Class member entitled to receive a share of the Settlement proceeds but are no longer a Plan participant, an account will be established for you in the Plan, and you will be notified of the account along with how to withdraw the proceeds. If you are a former Plan participant and have not provided the Plan with your current address, please contact Class Counsel who are listed on Page 9 below.

9. WHEN WOULD I GET MY PAYMENT?

The Settlement cannot be completed unless and until several events occur. These events include final approval of the Settlement by the Court, transfer of the Settlement payment to the Plan, and calculation of the amount of the Settlement proceeds owed to each Settlement Class member. If objections are made to the Settlement or appeals are taken by objectors from approval of the Settlement, this process may take a long time to complete, possibly several years. The Settlement Fund, however, will be invested in a secure, interest-bearing account, and the interest income will be included in the amount paid to the Plan and allocated to Settlement Class members.

THERE WILL BE NO PAYMENTS IF THE SETTLEMENT AGREEMENT IS TERMINATED

The Settlement Agreement may be terminated for several reasons, including if: (1) the Court does not approve, or materially modifies, the Agreement; or (2) the Court approves the Settlement Agreement but the approval is reversed or materially modified by an appellate court. If the Settlement Agreement is terminated, the Action will proceed as if the Settlement Agreement had not been entered into.

10. CAN I OPT OUT OF THE SETTLEMENT?

You do not have the right to exclude yourself from the Settlement. The Settlement Agreement provides for certification of the Settlement Class as a non-opt class action under Federal Rule of Civil Procedure 23(b)(1) and the Court has preliminarily determined that the requirements of that Rule have been satisfied. Thus, it is not possible for any Settlement Class member to exclude themselves from the Settlement. As a Settlement Class member, you will be bound by any judgments or orders that are entered in the Action for all claims that were or could have been asserted in the Action or are otherwise released under the Settlement.

Although you cannot opt out of the Settlement, you can object to the Settlement. See Answer to Question No. 13 below.

THE LAWYERS REPRESENTING YOU

11. DO I HAVE A LAWYER IN THE CASE?

The Court has appointed the law firms of Stull, Stull & Brody and Izard Nobel LLP as Class Counsel. If you want to be represented by your own lawyer, you may hire one at your own expense.

12. HOW WILL THE LAWYERS BE PAID?

Class Counsel will file a motion for the award of attorneys' fees of not more than thirty three percent (33%) of the Settlement Fund, plus reimbursement of expenses incurred in connection with the prosecution of the Action. This motion will be considered at the Fairness Hearing described below.

13. HOW DO I TELL THE COURT IF I DO NOT LIKE THE SETTLEMENT OR THE MOTION FOR ATTORNEYS' FEES AND PRESENTATION OF EXPENSES AND NAMED PLAINTIFFS' CASE CONTRIBUTION AWARDS?

If you are a Settlement Class member, you can object to the Settlement, proposed fee and expense motion or Named Plaintiffs' case contribution awards. Named Plaintiffs' motion for Attorneys' Fees, Reimbursement of Expenses and Case Contribution Awards for the Named Plaintiffs will be posted to the settlement website listed herein at least two weeks before objections are due, or by no later than _____, 2013.

To object, you must send a letter or other writing stating that you object to the Settlement, attorneys' fee motion, and/or motion for Named Plaintiffs' Case Contribution Awards in *Griffin v. Flagstar Bancorp, Inc. et al*, Docket No. 2:10-cv-10610. Be sure to include your name, address, telephone number, signature, a full explanation of all the reasons why you object to the Settlement and proof that you are a member of the Settlement Class. ***Your written objection must be served on the following counsel so that it is received by no later than _____, 2013:***

CLASS COUNSEL

STULL, STULL & BRODY
Attn: Michael J. Klein, Esq.
6 East 45th Street
New York, NY 10017

IZARD NOBEL LLP
Attn: Robert A. Izard
29 South Main Street, Suite 215
West Hartford, CT 06107

DEFENDANTS' COUNSEL

QUINN EMANUEL URQUHART OLIVER & HEDGES LLP.
Attn: Jon Steiger
865 S. Figueroa St 10th Floor
Los Angeles, Ca 90017

You must also file your objection with the United States District Court for the Eastern District of Michigan (Southern Division) by _____. The address is: Clerk of the Court, United States District Court for the Eastern District of Michigan (Southern Division), Theodore Levin U.S. Courthouse 231 W. Lafayette Blvd., Detroit, MI 48226.

The objection must refer prominently to *Griffin v. Flagstar Bancorp, Inc. et al*, Docket No. 2:10-cv-10610. ***Your objection must be postmarked no later than _____, 2013.***

THE FAIRNESS HEARING

The Court will hold a hearing to decide whether to approve the Settlement as fair, reasonable and adequate (the "Fairness Hearing"). You may attend the Fairness Hearing, and you may ask to speak, but you do not have to attend.

14. WHEN AND WHERE WILL THE COURT DECIDE WHETHER TO APPROVE THE SETTLEMENT?

The Court has scheduled a hearing in this case on _____, 2013 at _____.M. in the Courtroom of United States District Judge Paul D. Borman, United States District Court for the Eastern District of Michigan (Southern Division), Theodore Levin U.S. Courthouse 231 W. Lafayette Blvd., Room 740, Detroit, MI 48226, or in the Courtroom then occupied by United States District Judge Paul D. Borman. The Court may adjourn the Fairness Hearing without further notice to the Class, so, if you plan to attend, you may want to confirm the date and time of the Fairness Hearing with Class Counsel before doing so. At the Fairness Hearing, the Court will consider whether the Settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. The Court will also rule on the motion for attorneys' fees and reimbursement of expenses and for compensation to the Named Plaintiffs. It cannot be estimated how long these decisions of the Court will take or whether appeals will be taken.

15. DO I HAVE TO COME TO THE FAIRNESS HEARING?

No. You may come at your own expense or retain an attorney at your own expense to attend, but such attendance is not necessary. The Court will consider any written objections even if you do not attend the Fairness Hearing.

16. MAY I SPEAK AT THE FAIRNESS HEARING?

If you are a Settlement Class member, you or your attorney may ask the Court for permission to speak at the Fairness Hearing. To do so, you *must* send a letter or other writing stating “A Notice of Intention to Appear at Fairness Hearing in *Griffin v. Flagstar Bancorp, Inc. et al*, Docket No. 2:10-cv-10610.” Be sure to include your name, address, telephone number, and your signature. Your notice of intention to appear must be filed and served on the attorneys listed in the Answer to Question No. 13 above, so that it is received by _____, 2013, and must be filed with the Clerk of the Court at the address listed in the Answer to Question No. 13 no later than _____, 2013.

IF YOU DO NOTHING

17. WHAT HAPPENS IF I DO NOTHING AT ALL?

If you do nothing and you are a Settlement Class member, you will share in the Settlement of the Action as described in the answer to question 7.

GETTING MORE INFORMATION

18. ARE THERE MORE DETAILS ABOUT THE SETTLEMENT?

Yes. This Class Notice summarizes the proposed Settlement. The complete terms are set forth in the Settlement Agreement. You may obtain a copy of the Settlement Agreement by making a written request to Class Counsel listed on Page 9 above. Copies may also be obtained at a dedicated Settlement Internet site, www._____.com, by calling the toll-free number 1-(XXX)-XXX-XXXX or by sending an email to _____@_____.com. You are encouraged to read the complete Settlement Agreement.

INJUNCTION

Pending final determination of whether the Settlement should be approved, the Court has ordered that Named Plaintiffs and all members of the Settlement Class are each barred and enjoined from instituting, instigating, commencing, maintaining or prosecuting any action in any court or tribunal that asserts any Released Claim against any Released Party.

PLEASE DO NOT CALL THE COURT, THE COURT CLERK’S OFFICE OR FLAGSTAR.

DATED: _____, 2013

By order of the United States District Court for the
Eastern District of Michigan (Southern Division)

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

DEBRA GRIFFIN and JOY GARDNER, on
Behalf of Themselves and a Class of Persons
Similarly Situated,

Plaintiffs,

v.

FLAGSTAR BANCORP, INC.; REBECCA A.
LUCCI; ERIN ENGLAND; JOHN DOES 1-
10, AND RICHARD ROES 1-20,

Defendants.

CASE NO.: 2:10-cv-10610

SUMMARY NOTICE OF CLASS ACTION SETTLEMENT

TO: ALL CURRENT AND FORMER PARTICIPANTS AND BENEFICIARIES OF THE FLAGSTAR BANK 401(K) PLAN (THE "PLAN") FOR WHOSE INDIVIDUAL ACCOUNTS THE PLAN HELD SHARES OF COMMON STOCK OF FLAGSTAR BANCORP, INC. ("FLAGSTAR" OR THE "COMPANY") AT ANY TIME FROM DECEMBER 31, 2006 TO MAY 2, 2013, INCLUSIVE (THE "SETTLEMENT CLASS").

**PLEASE READ THIS NOTICE CAREFULLY.
A FEDERAL COURT AUTHORIZED THIS NOTICE.
THIS IS NOT A SOLICITATION.
YOU ARE NOT BEING SUED.**

A Settlement has been preliminarily approved by a federal court in a consolidated class action lawsuit against Flagstar Bancorp, Inc. ("Flagstar" or the "Company"), alleging breaches of fiduciary duties under the Employee Retirement Income Security Act of 1974 ("ERISA"), which claims and allegations were denied by Flagstar. All capitalized terms not otherwise defined in this Summary Notice of Class Action Settlement have the meaning provided in the Class Action Settlement Agreement (the "Settlement Agreement") available on the Settlement website identified in this notice. The Settlement will provide for a payment of \$3 million to the Plan (minus Court-approved attorneys' fees, certain expenses and case contribution awards to the Named Plaintiffs), which will then be allocated to the accounts of participants of the Plan, other than certain excluded persons under the terms of the settlement, who had portions of their Plan accounts invested in Flagstar common stock or fund units in the Flagstar Stock Fund between December 31, 2006 and May 2, 2013, inclusive (the "Class Period").

You will receive a payment if you qualify under a Court-approved Plan of Allocation. You do not need to send in a claim form or take any other action to participate in the Settlement. The United States District Court for the Eastern District of Michigan (Southern Division)

authorized this Notice.

WHO IS INCLUDED IN THE SETTLEMENT?

If you were a member of the Settlement Class as defined above than you are included in the Settlement automatically.

WHAT IS THIS CASE ABOUT?

The Named Plaintiffs claimed, among other things, that the Defendant breached fiduciary duties under ERISA by allowing the investment of the Plan's assets in Flagstar common stock or Flagstar Stock Fund units during a time when they allegedly knew or should have known that such investment was imprudent. Defendant denies any wrongdoing, and asserted defenses against all the claims.

WHAT DOES THE SETTLEMENT PROVIDE?

Defendant agreed to create a Settlement Fund of \$3 million to be divided among eligible Settlement Class Members after payment of attorneys' fees and expenses to Class Counsel and Case Contribution Awards to the Named Plaintiffs, and payment of other costs and expenses of the Settlement, including notice and Settlement administration, as the Court may allow. The Settlement Agreement and long-form Class Notice, available along with other related documentation and a list of Frequently Asked Questions at the website identified below, describe the details of the proposed Settlement. The Settlement releases certain claims relating to the investment of the Plan's assets in Flagstar common stock or common stock fund units during the time period listed above.

HOW DO I RECEIVE A PAYMENT?

If you are a Settlement Class member and are entitled to a share of the Settlement Fund according to the Settlement Agreement, you are not required to do anything to receive a payment. The payment will be made directly to your Plan account(s). If you no longer are a participant in the Plan, a Plan account will be established for you and you will be notified of this account along with further instructions. If your address has changed since you closed your Plan account(s), please call (XXX) XXX-XXXX (toll-free) to advise of the change of address.

CAN I OBJECT TO OR OPT OUT OF THE SETTLEMENT?

You cannot opt out of the Settlement, but you may object to all or any part of the Settlement in accordance with the Class Notice. You will be bound by any judgments or orders that are entered in this Action, and if the Settlement is approved, you will be deemed to have released all of the Defendants from all claims that were or could have been asserted in this case.

The Court has scheduled a hearing in this case on _____, 2013 at _____ M. in the Courtroom of United States District Judge Paul D. Borman, United States District Court for the Eastern District of Michigan (Southern Division), Theodore Levin U.S. Courthouse 231 W. Lafayette Blvd., Room 740, Detroit, MI 48226, to consider whether to approve the Settlement and any motion(s) by the lawyers representing Settlement Class members for

attorneys' fees, reimbursement of expenses and Case Contribution Awards to the Named Plaintiffs, and for other case-related expenses. If approved, these amounts will be paid from the Settlement Fund. You may ask to speak at the hearing by filing a notice of your intention to appear, but you are not required to appear at the hearing. If you intend to attend the hearing, please re-confirm the time and location with Plaintiffs' counsel or check the Settlement website identified in this notice to make sure that the hearing has not been re-scheduled.

HOW DO I GET MORE INFORMATION?

This notice summarizes the proposed Settlement. If you are a Settlement Class member and would like to receive additional information or to receive a copy of the long form Class Notice, which more completely describes the Settlement and your rights thereunder (including your right to object to the Settlement), please call toll-free (XXX) XXX-XXXX or visit www.XXXXXXXXXX.com.