

**IN THE DISTRICT COURT OF THE UNITED STATES FOR THE
MIDDLE DISTRICT OF ALABAMA, NORTHERN DIVISION**

In re
COLONIAL BANCGROUP, INC.
SECURITIES LITIGATION

X
:
:
: Civil Action No.
:
: 2:09-CV-00104-RDP-WC
:
:
X

NOTICE OF PENDENCY OF CLASS ACTION AND PROPOSED PARTIAL SETTLEMENT

**IF YOU PURCHASED PUBLICLY TRADED SECURITIES OF THE COLONIAL BANCGROUP, INC.
("COLONIAL" OR THE "COMPANY") DURING THE PERIOD BETWEEN
APRIL 18, 2007 AND AUGUST 6, 2009, INCLUSIVE (THE "SETTLEMENT CLASS PERIOD"),
YOU MAY BE ELIGIBLE FOR A PAYMENT FROM A CLASS ACTION SETTLEMENT**

A Federal Court authorized this Notice. This is not a solicitation from a lawyer.

- Court-appointed lead plaintiffs, Arkansas Teacher Retirement System, State-Boston Retirement System, Norfolk County Retirement System and City of Brockton Retirement System (collectively, "Lead Plaintiffs"), on behalf of themselves and the putative Settlement Class (as defined below), have reached a proposed partial settlement in the amount of \$10,500,000 in cash (the "Settlement") that will resolve all claims against Robert E. Lowder, Sarah H. Moore, T. Brent Hicks, Lewis E. Beville, William Britton, Jerry J. Chesser, Augustus K. Clements, III, Robert S. Craft, Patrick F. Dye, Hubert L. Harris, Jr., Clinton O. Holdbrooks, Harold O. King, Deborah L. Linden, John Ed Mathison, Milton E. McGregor, John C.H. Miller, Jr., Joseph D. Mussafer, William E. Powell, III, James W. Rane, Simuel Sippial, Jr., Edward V. Welch, Sheila P. Moody and Kamal Hosein (the "Settling Defendants") in this proposed class action (the "Action").
- The Settlement resolves claims that the Settling Defendants allegedly misled investors about Colonial's business performance; avoids the costs and risks of continuing the Action, pays money to investors like you, and releases the Settling Defendants from liability. The Action continues to be litigated against the remaining non-settling defendants (defined below).
- This Notice explains important rights you may have, including your possible receipt of cash from the Settlement. **Your legal rights will be affected whether or not you act. Please read this Notice carefully!**
- The Court in charge of the Action still has to decide whether to approve the Settlement. Payments will be made if the Court approves the Settlement and after any appeals are resolved. Please be patient.

YOUR LEGAL RIGHTS AND OPTIONS IN THE SETTLEMENT:

ACTIONS YOU MAY TAKE	EFFECT OF TAKING THIS ACTION
SUBMIT A CLAIM FORM POSTMARKED NO LATER THAN FEBRUARY 29, 2012.	This is the only way to get a payment.
EXCLUDE YOURSELF FROM THE SETTLEMENT CLASS BY SUBMITTING A WRITTEN REQUEST FOR EXCLUSION POSTMARKED NO LATER THAN JANUARY 4, 2012.	Get no payment. This is the only option that allows you to ever be part of any other lawsuit against the Settling Defendants concerning the claims that were, or could have been, asserted in this case. It is also the <i>only</i> way for Settlement Class Members to remove themselves from the Settlement Class.
OBJECT TO THE SETTLEMENT BY SUBMITTING A WRITTEN OBJECTION POSTMARKED NO LATER THAN JANUARY 4, 2012.	Write to the Court and explain why you do not like the Settlement, the proposed Plan of Allocation, and/or the request for attorneys' fees and reimbursement of expenses. You cannot object if you are not a Settlement Class Member or if you exclude yourself.
GO TO THE HEARING ON JANUARY 25, 2012 AT 1: 00 P.M., AND FILE A NOTICE OF INTENTION TO APPEAR SO THAT IT IS POSTMARKED NO LATER THAN JANUARY 4, 2012.	Ask to speak in Court about the fairness of the Settlement, the proposed Plan of Allocation, or the request for attorneys' fees and reimbursement of expenses.
DO NOTHING	Get no payment. Remain a Settlement Class Member. Give up your rights.

SUMMARY OF THIS NOTICE

I. Description of the Action and the Settlement Class

This Notice relates to the proposed partial Settlement of a class action lawsuit against the Settling Defendants. As explained in more detail below, the proposed Settlement, if approved by the Court, will settle claims against the Settling Defendants by all persons and entities who purchased Colonial Securities (defined below) during the period between April 18, 2007 and August 6, 2009, inclusive, and who were allegedly damaged thereby (the "Settlement Class").

II. Statement of the Plaintiffs' Recovery

Subject to Court approval, and as described more fully on page 5 below, Lead Plaintiffs, on behalf of the proposed Settlement Class, have agreed to settle all claims related to the purchase or acquisition of Colonial common stock during the Settlement Class Period that were or could have been asserted against the Settling Defendants in the Action, in exchange for a payment of \$10,500,000 in cash (the "Settlement Amount"), to be deposited into an interest-bearing escrow account (the "Settlement Fund"). Based on Lead Plaintiffs' consulting damages expert's estimate of the amount of Colonial common stock that may have been damaged as a result of the alleged misstatements and omissions by the Settling Defendants, and assuming that all those shares participate in the Settlement, Lead Counsel estimates that the average recovery would be approximately \$0.03 per allegedly damaged share of common stock and \$0.06 per allegedly damaged note,¹ before the deduction of Court-approved attorneys' fees and expenses, taxes, and notice and administration costs. Settlement Class Members should note, however, that this is only an estimate based on the overall number of potentially damaged securities purchased by the Settlement Class. Some Settlement Class Members may recover more or less than this estimated amount depending on, among other factors, when, where, the type of security purchased, the prices at which their Colonial Securities were purchased or sold, and the proposed Plan of Allocation. The Net Settlement Fund (the Settlement Fund less taxes, notice and administration costs, and attorneys' fees and litigation expenses awarded) will be distributed in accordance with a plan of allocation (the "Plan of Allocation") approved by the Court that will determine how the Net Settlement Fund shall be allocated to the members of the Settlement Class. The proposed Plan of Allocation is included in this Notice (see page 10 below).

III. Statement of Potential Outcome of the Case

The Settling Parties do not agree on the average amount of damages per share of Colonial Securities that would be recoverable if Lead Plaintiffs were to prevail on the claims against the Settling Defendants. The Settling Defendants deny all liability and that any of Colonial's publicly traded securities were damaged as Lead Plaintiffs have alleged. The issues on which the Settling Parties disagree include, for example: (i) whether shares of Colonial Securities were artificially inflated as a result of the alleged misstatements and omissions by the Settling Defendants; (ii) the amount by which the prices of Colonial Securities were artificially inflated, if any, as a result of the alleged misstatements and omissions by the Settling Defendants; (iii) the amount of any alleged damages suffered by purchasers of Colonial Securities; (iv) the appropriate economic models for determining the amounts by which Colonial Securities were allegedly artificially inflated (if at all); (v) the effect of various market forces influencing the trading prices of Colonial Securities; (vi) whether the statements made or facts allegedly omitted were material, false, misleading or otherwise actionable under the federal securities laws; and (vii) whether, even if liability could be proven, total damages would be greater than zero dollars.

IV. Statement of Attorneys' Fees and Litigation Expenses Sought

Lead Counsel (as defined on page 3 below) will apply to the Court for an award of attorneys' fees from the Settlement Fund in an amount not to exceed 25% of the Settlement Fund, which will include interest. In addition, Lead Counsel also will apply for the reimbursement of litigation expenses paid or incurred in connection with the prosecution and resolution of the Action, in an amount not to exceed \$450,000, plus interest from the date of funding at the same rate as earned by the Settlement Fund. Lead Counsel's overall request for reimbursement of litigation expenses may include a request for an award to Lead Plaintiffs Arkansas Teacher Retirement System, State-Boston Retirement System, Norfolk County Retirement System and City of Brockton Retirement System for reimbursement of their reasonable costs and expenses directly related to their representation of the Settlement Class, pursuant to the Private Securities Litigation Reform Act of 1995. If the Court approves Lead Counsel's attorneys' fee and expense application in full, the average amount of fees and expenses will be approximately \$0.008 per allegedly damaged share of common stock and \$0.018 per allegedly damaged note.

¹ An allegedly damaged security might have been traded more than once and this average recovery would be the total for all purchasers of those securities.

V. Identification of Attorneys' Representatives

Lead Plaintiffs and the Settlement Class are being represented by Labaton Sucharow LLP, the Court-appointed Lead Counsel. Any questions regarding the Settlement should be directed to James W. Johnson, Esq., Labaton Sucharow LLP, 140 Broadway, New York, NY 10005, Tel: (888) 219-6877, www.labaton.com, settlementquestions@labaton.com.

VI. Reasons for the Settlement

For Lead Plaintiffs, the principal reason for the Settlement is the immediate benefit of a substantial cash recovery for the Settlement Class. This benefit must be compared to the risk that no recovery or a smaller recovery might be achieved after the Court decides any motions to dismiss the complaint filed in the Action, fact and expert discovery are complete, summary judgment motions are made by the Settling Defendants, and a contested trial and likely appeals are resolved, possibly years into the future. For the Settling Defendants, who deny all allegations of liability and deny that any Settlement Class Members were damaged, the principal reason for the Settlement is to eliminate the burden, expense, uncertainty and risk of further litigation.

BASIC INFORMATION

1. Why did I get this notice package?

You or someone in your family may have purchased Colonial Securities during the period between April 18, 2007 and August 6, 2009, inclusive. Colonial Securities are:

- the common stock of Colonial;
- Colonial's common stock traceable to the Company's April 23, 2008 stock offering pursuant to the Registration Statement and Prospectus filed with the Securities and Exchange Commission ("SEC") (the "Stock Offering"); and
- the \$250 million worth of Subordinated Notes due in 2038, paying 8.875% interest on a quarterly basis, pursuant or traceable to Colonial's Form S-3/A Shelf Registration Statement and Prospectus dated November 12, 2004 and Form 424 (b)(2) Prospectus Supplement dated February 28, 2008 (the "Note Offering").

The Court directed that this Notice be sent to Settlement Class Members because they have a right to know about the proposed partial Settlement of this class action lawsuit, and about all of their options, before the Court decides whether to approve the Settlement. If approved, the Settlement will end all of the Settlement Class's claims against the Settling Defendants—the claims against the remaining non-settling defendants will continue to be litigated.² The Court will consider whether to approve the Settlement at a Settlement Hearing on January 25, 2012 at 1:00 p.m. If the Court approves the Settlement, and after any appeals are resolved and the Settlement administration is completed, the claims administrator appointed by the Court will make the payments that the Settlement allows.

The Court in charge of the case is the United States District Court for the Middle District of Alabama, Northern Division, and the case is known as *In re Colonial BancGroup, Inc. Securities Litigation*, 2:09-CV-00104-RDP-WC. This case was assigned to United States District Judge R. David Proctor. The persons who are suing are called "plaintiffs" and the company and the persons being sued are called "defendants."

2. What is this lawsuit about and what has happened so far?

Lead Plaintiffs' claims in the Action are stated in the First Amended Consolidated Class Action Complaint for Violations of the Federal Securities Laws (the "Amended Complaint"), dated April 29, 2011. Lead Plaintiffs allege that certain of Colonial's officers and directors, including the Settling Defendants, and additional Non-Settling Defendants (collectively, "Defendants") violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 (the "Securities Act"). The Exchange Act claims allege violations of the anti-fraud provisions of the securities laws arising from alleged misstatements and omissions made in connection with Colonial's publicly-filed financials and other alleged misstatements made by Colonial's senior officers. The Securities Act claims arise from alleged misstatements and omissions in a subordinated note offering and a stock offering conducted by the Company in March and April of 2008, respectively.

² These defendants are PricewaterhouseCoopers LLP, Banc of America Securities LLC, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., Morgan Keegan & Company, Inc., Morgan Stanley & Co., Inc., RBC Dain Rauscher Inc., Stifel, Nicolaus & Company, Inc., SunTrust Robinson Humphrey, Inc., UBS Securities LLC, and Wachovia Capital Markets, LLC (the "Non-Settling Defendants").

This Action began in February 2009 when a series of proposed class actions were filed against Colonial, its officers and directors, and other defendants in the United States District Court for the Middle District of Alabama, Northern Division (the “Court”). On May 7, 2009, the Court appointed Lead Plaintiffs and appointed Labaton Sucharow LLP as Lead Counsel and Thomas, Means, Gillis & Seay, P.C. as Liaison Counsel to represent the putative Class. On May 8, 2009, the Court issued an order consolidating all related cases into the present Action. Lead Plaintiffs filed a Consolidated Class Action Complaint for Violations of the Federal Securities Laws (the “Complaint”) on June 22, 2009.

On August 25, 2009, Colonial filed for bankruptcy protection pursuant to Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the Middle District of Alabama. Colonial is no longer named as a Defendant in the Action because of this petition for bankruptcy protection. The Court thereafter invited comment as to whether the Action should be stayed as a result of the petition. On September 25, 2009, Defendants began filing motions to dismiss the Complaint. In September 2009, the Court suspended further briefing on motions to dismiss pending the Court’s decision as to whether the automatic bankruptcy stay should serve to stay the Action. On January 7, 2010, the Court ruled that the bankruptcy stay should not be extended to the Action, and the stay was lifted. The parties completed briefing the motions to dismiss in February 2010.

On May 14, 2010, the Court issued orders denying all Defendants’ motions to dismiss and sustaining the Complaint. On May 18, 2010, shortly after denying all Defendants’ motions to dismiss, Judge Myron F. Thompson notified the parties that he had a disqualifying conflict and recused himself. The Action was stayed pending reassignment, and all Defendants moved for reconsideration of the denial of their motions to dismiss. On August 27, 2010, the Action was assigned to Judge R. David Proctor.

A status conference was held before the Court on December 15, 2010, in which the Court deemed moot the motions for reconsideration and instructed Lead Plaintiffs to file an amended complaint. On April 29, 2011, Lead Plaintiffs filed the operative Amended Complaint in the Action.

On November 22 and December 2-3, 2010, Lead Plaintiffs and Defendants met with David Geronemus, Esq., a highly experienced mediator for JAMS, an entity which provides private mediation and arbitration services, for lengthy in-person mediation sessions in an attempt to reach a settlement of the claims in this Action and related actions. The mediations involved an extended effort to settle the litigation. These discussions did not result in the present Settlement, but were informative and helped bring about the subsequent negotiations between Lead Plaintiffs and the Settling Defendants that resulted in the Settlement.

The Settling Parties entered into the Amended and Restated Stipulation and Agreement of Settlement with Officers and Defendants (the “Stipulation”) on September 14, 2011. On September 20, 2011, the Court preliminarily approved the Settlement, authorized this Notice to be sent to potential Settlement Class Members, and scheduled the Settlement Hearing to consider whether to grant final approval to the Settlement.

The Settling Defendants deny the claims and contentions alleged by Lead Plaintiffs in this Action, deny any liability whatsoever, and maintain that they have meritorious defenses to all claims that were raised or could have been raised in the Action.

3. Why is this a class action?

In a class action, one or more people called class representatives (in this case the Lead Plaintiffs on behalf of the Settlement Class) sue on behalf of people or entities, known as “Settlement Class Members,” who have similar claims. A class action allows one court to resolve in a single case many similar claims that, if brought separately by individuals, might be economically so small that they would never be brought. One court resolves the issues for all class members, except for those who exclude themselves, or “opt out,” from the Class (see page 7 below).

4. Why is there a settlement?

The Court did not decide in favor of Lead Plaintiffs or the Settling Defendants. The Settlement will end all the claims against the Settling Defendants in the Action and avoid the uncertainties and costs of further litigation and any future trial. Affected investors will be eligible to get compensation soon, rather than after the time it would take to resolve future motions to dismiss, conduct discovery, have a trial and exhaust all appeals.

The Settlement was reached after months of investigation and litigation. Lead Plaintiffs, through Lead Counsel, conducted an extensive investigation of the claims, defenses and underlying events and transactions relating to the Action. This investigation included, among other things, reviewing and analyzing: (i) investigative findings by the FDIC Office of the Inspector General and transcripts from the trial of Lee B. Farkas; (ii) Colonial’s filings with the SEC; (iii) publicly available information concerning Defendants, including newspaper articles, online publications, stock price movement data, statements at analyst conferences, and Bloomberg reports; (iv) securities analyst reports; (v) press releases and media reports issued by Defendants; and (vi) the applicable law and accounting rules governing the claims and potential defenses. Lead Counsel also closely monitored Colonial’s bankruptcy proceeding and filings, identified more than 700 potential witnesses, contacted

almost 80 potential witnesses, and consulted with an experienced damages expert. Further, Lead Counsel and Lead Plaintiffs participated in rigorous arm's-length negotiations and a mediation before an experienced mediator before entering into the Settlement.

The Settling Defendants deny all allegations of liability contained in the Amended Complaint and deny that they are liable to the Settlement Class. The Settlement should not be seen as an admission or concession on the part of the Settling Defendants about any of the claims, their fault or liability for damages.

WHO IS IN THE SETTLEMENT

5. How do I know if I am part of the Settlement?

The Court determined, for the purposes of the Settlement only, that everyone who fits the following description, and is not excluded by definition from the Settlement Class (see Question 6 below), is a member of the Settlement Class, or a "Settlement Class Member," unless they take steps to exclude themselves:

any person or entity who purchased: (i) the common stock of Colonial; (ii) Colonial's common stock traceable to the Company's April 23, 2008 stock offering pursuant to the Registration Statement and Prospectus filed with the Securities and Exchange Commission (the Stock Offering); and (iii) the \$250 million worth of Subordinated Notes due in 2038, paying 8.875% interest on a quarterly basis, pursuant or traceable to Colonial's Form S-3/A Shelf Registration Statement and Prospectus dated November 12, 2004 and Form 424 (b)(2) Prospectus Supplement dated February 28, 2008 (the Note Offering) during the period between April 18, 2007 and August 6, 2009, inclusive, and were allegedly damaged thereby (the "Settlement Class").

Receipt of this Notice does not mean that you are a Settlement Class Member. Please check your records or contact your broker to see if you purchased Colonial Securities during the Settlement Class Period as described above.

You should be aware that the certification of this case as a class action, and the definition of who is a member of the Settlement Class as defined above, apply only for purpose of this Settlement of the claims against the Settling Defendants. There is no guarantee that the Court will certify the claims against the Non-Settling Defendants as a class action.

6. Are there exceptions to being included in the Settlement Class?

There are some people who are excluded from the Settlement Class by definition. Excluded from the Settlement Class are: the current and former defendants in the Action; the current and former officers and directors of the Company; members of the immediate families of the current and former defendants in the Action; the subsidiaries and affiliates of the Company; any entity in which the current and former defendants in the Action have or had a controlling interest; and the legal representatives, heirs, successors or assigns of any excluded person.

Also excluded from the Settlement Class will be any person who timely and validly seeks exclusion from the Settlement Class in accordance with the requirements set forth in this Notice. If you do not want to be a Settlement Class Member—for example if you want to continue with or bring your own lawsuit against the Settling Defendants at your own expense for the claims that are being released as part of the Settlement—you **must** exclude yourself by submitting a request for exclusion in accordance with the requirements explained in Question 13 below.

7. What if I am still not sure if I am included?

If you are still not sure whether you are included, you can ask for free help by writing to or calling the Claims Administrator: *In re Colonial BancGroup, Inc. Securities Litigation*, Claims Administrator, c/o Strategic Claims Services, P.O. Box 230, 600 N. Jackson Street, Suite 3, Media, PA 19063, (866) 274-4004, www.strategicclaims.net. Or you can fill out and return the Proof of Claim and Release form ("Proof of Claim") described in Question 10, to see if you qualify.

THE SETTLEMENT BENEFITS—WHAT YOU MAY RECEIVE

8. What does the Settlement provide?

In the Settlement, the Settling Defendants have agreed to cause \$10,500,000 to be paid in cash, which will be deposited in an interest-bearing escrow account for the benefit of the Settlement Class (the "Settlement Fund") in exchange for the dismissal of all Released Claims (defined below).³ The Settlement Fund will be divided, after deduction of Taxes, Court-awarded attorneys' fees and expenses, and settlement notice and administration costs, among all Settlement Class Members who timely submit valid Proofs of Claim that are accepted for payment by the Court ("Authorized Claimants").

³ The Settlement also proposes that as part of the Judgment, the Court will preclude claims seeking contribution and indemnification.

9. How much will my payment be?

The Plan of Allocation, discussed on pages 10-14 below, explains how claimants' "Recognized Losses" will be calculated. Your share of the Net Settlement Fund will depend on several things, including: (i) the quantity and type of Colonial Securities you bought; (ii) how much you paid for those securities; (iii) when you bought them; (iv) whether or when you sold them (and, if so, for how much you sold them); and (v) the amount of Recognized Losses of other Authorized Claimants.

It is unlikely that you will get a payment for your entire Recognized Loss, given the number of potential Settlement Class Members. After all Settlement Class Members have sent in their Proofs of Claim, the payment any Authorized Claimant will get will be their *pro rata* share of the Net Settlement Fund. An Authorized Claimant's share will be his, her or its Recognized Loss divided by the total of all Authorized Claimants' Recognized Losses and then multiplied by the total amount in the Net Settlement Fund. See the Plan of Allocation beginning on page 10 for more information.

Once all the Proofs of Claim are processed and claims are calculated, Lead Counsel, without further notice to the Settlement Class, will apply to the Court for an order authorizing distribution of the Net Settlement Fund to the Authorized Claimants. Lead Counsel will also ask the Court to approve payment of the Claims Administrator's fees and expenses incurred in connection with administering the Settlement that have not already been reimbursed.

HOW YOU GET A PAYMENT—SUBMITTING A PROOF OF CLAIM

10. How can I get a payment?

To qualify for a payment, you must timely send in a valid Proof of Claim with supporting documents (DO NOT SEND ORIGINALS of your supporting documents). A Proof of Claim is enclosed with this Notice. You may also get copies of the Proof of Claim at the websites for the Claims Administrator: www.strategicclaims.net, or Lead Counsel: www.labaton.com. Please read the instructions carefully, fill out the Proof of Claim, include all the documents the form asks for, sign it, and mail it to the Claims Administrator by first-class mail, **postmarked on or before February 29, 2012**. *The Claims Administrator needs all of the information requested in the Proof of Claim in order to determine if you are eligible to receive a distribution from the Net Settlement Fund.*

11. When will I get my payment?

The Court will hold a hearing on January 25, 2012 at 1:00 p.m., to decide whether to, among other things, approve the Settlement and the proposed Plan of Allocation. All Proofs of Claim must be submitted to the Claims Administrator, **postmarked on or before February 29, 2012**. If the Court approves the Settlement, there may still be appeals which would delay payment, perhaps for more than a year. It also takes time for all the Proofs of Claim to be processed. Please be patient.

12. What am I giving up by staying in the Settlement Class?

Unless you exclude yourself, you will stay in the Settlement Class, which means that as of the date that the Settlement becomes effective under the terms of the Stipulation (the "Effective Date"), you will forever give up and release all "Released Claims" (as defined below) against the "Released Defendant Parties" (as defined below). You will not in the future be able to bring a case asserting any Released Claim against the Released Defendant Parties.

"Released Claims" means all claims, whether known or Unknown (as defined below), whether arising out of or relating to, directly or indirectly, the purchase or acquisition of Colonial Securities during the Settlement Class Period and the facts, matters, allegations, transactions, events, disclosures, statements, acts or omissions that have been or could have been asserted by any member of the Settlement Class in the Action against the Released Defendant Parties, which includes, for the avoidance of doubt, claims previously brought against the Company in the Action. For the avoidance of doubt, Released Claims do not include: (i) claims to enforce the Settlement; (ii) any claim by the Federal Deposit Insurance Corporation, whether as receiver for Colonial Bank or in its corporate capacity, or any claim by any governmental or regulatory agency asserted in any criminal, administrative or civil action; (iii) claims or interests of any Class Member, including Lead Plaintiffs, in the Bankruptcy Case solely in connection with their status as holders of Colonial Securities in the event there is a future distribution in the Bankruptcy Case; or (iv) claims against any Non-Settling Defendant.

"Released Defendants' Claims" means all claims, whether known or Unknown (as defined below), whether arising under federal, state, common or foreign law, or any other law, that the Settling Defendants asserted, or could have asserted, against any of the Released Plaintiff Parties that arise out of or relate in any way to the institution, prosecution, or settlement of the Action (other than claims to enforce the Settlement).

“Released Defendant Parties” means the Company; the Settling Defendants; the respective attorneys for the Released Defendant Parties; and the present and former principals, agents, insurers, auditors, attorneys, predecessors, successors, parents, subsidiaries, divisions, joint ventures, general or limited partners or partnerships, limited liability companies, directors, officers, general counsels, or employees of the Company; but specifically does not include any Non-Settling Defendant.

“Unknown Claims” means any and all Released Claims, which the Lead Plaintiffs or any other Settlement Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Defendant Parties, and any Released Defendants’ Claims that the Settling Defendants do not know or suspect to exist in his, her or its favor at the time of the release of the Released Plaintiff Parties, which if known by him, her or it might have affected his, her or its decision(s) with respect to the Settlement. With respect to any and all Released Claims and Released Defendants’ Claims, the Settling Parties stipulate and agree that, upon the Effective Date, Lead Plaintiffs and the Settling Defendants, shall expressly, and each other Settlement Class Member shall be deemed to have, and by operation of the Judgment or Alternative Judgment shall have, expressly waived and relinquished any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to Cal. Civ. Code § 1542, which provides:

A general release does not extend to claims which 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.

Lead Plaintiffs, the other Settlement Class Members or the Settling Defendants may hereafter discover facts in addition to or different from those which he, she, or it now knows or believes to be true with respect to the subject matter of the Released Claims and the Released Defendants’ Claims, but Lead Plaintiffs and the Settling Defendants shall expressly, fully, finally and forever settle and release, and each other Settlement Class Member shall be deemed to have settled and released, and upon the Effective Date and by operation of the Judgment or Alternative Judgment shall have settled and released, fully, finally, and forever, any and all Released Claims and Released Defendants’ Claims as applicable, without regard to the subsequent discovery or existence of such different or additional facts. Lead Plaintiffs and the Settling Defendants acknowledge, and other Settlement Class Members by operation of law shall be deemed to have acknowledged, that the inclusion of “Unknown Claims” in the definition of Released Claims and Released Defendants’ Claims was separately bargained for and was a key element of the Settlement.

EXCLUDING YOURSELF FROM THE SETTLEMENT

If you want to keep any right you may have to sue or continue to sue the Released Defendant Parties on your own about the Released Claims, then you must take steps to exclude yourself from the Settlement Class. Excluding yourself is known as “opting out” of the Settlement Class. The Settling Defendants may withdraw from and terminate the Settlement if potential Settlement Class Members who purchased in excess of a certain amount of Colonial Securities opt out from the Settlement Class.

13. How do I “opt out” (exclude myself) from the proposed Settlement?

To “opt out” (exclude yourself) from the Settlement Class, you must deliver or mail a signed letter by first-class mail stating that you “request exclusion from the Settlement Class in *In re Colonial BancGroup, Inc. Securities Litigation*, 2:09-CV-00104-RDP-WC.” Your letter **must** state the date(s), price(s) and number of shares of all your purchases and sales of Colonial Securities during the Settlement Class Period. This information is needed to determine whether you are a Settlement Class Member. In addition, you must include your name, address, telephone number, and your signature. You must submit your request for exclusion addressed to *In re Colonial BancGroup, Inc. Securities Litigation—EXCLUSIONS*, c/o Strategic Claims Services, P.O. Box 230, 600 N. Jackson Street, Suite 3, Media, PA 19063. The request for exclusion must be **delivered or postmarked on or before January 4, 2012. You cannot exclude yourself or opt out by telephone or by email.** Your request for exclusion must comply with these requirements in order to be valid. If you are excluded, you will not be eligible to get any payment from the Settlement proceeds and you cannot object to the Settlement, the proposed Plan of Allocation or the application for attorneys’ fees and reimbursement of expenses.

14. If I do not exclude myself, can I sue the Settling Defendants and the other Released Defendant Parties for the same thing later?

No. Unless you exclude yourself, you give up any rights to sue the Settling Defendants and the other Released Defendant Parties for all Released Claims. If you have a pending lawsuit, speak to your lawyer in that case **immediately**. You must exclude yourself from *this* Settlement Class to continue your own lawsuit. Remember, the exclusion deadline is **January 4, 2012**.

15. If I exclude myself, can I get money from the proposed Settlement?

No. If you exclude yourself, do not send in a Proof of Claim to ask for any money. But, you may exercise any right you may have to sue, continue to sue or be part of a different lawsuit against the Settling Defendants and the other Released Defendant Parties.

THE LAWYERS REPRESENTING YOU

16. Do I have a lawyer in this case?

The law firm of Labaton Sucharow was appointed to represent all Settlement Class Members. These lawyers are called Lead Counsel. You will not be separately charged for these lawyers. The Court will determine the amount of Lead Counsel's fees and expenses. Any fees and expenses awarded by the Court will be paid from the Settlement Fund. If you want to be represented by your own lawyer, you may hire one at your own expense.

17. How will the lawyers be paid?

Lead Counsel have not received any payment for their services in pursuing the claims against the Settling Defendants on behalf of the Settlement Class, nor have they been reimbursed for their litigation expenses. At the Settlement Hearing described below, or at such other time as the Court may order, Lead Counsel will ask the Court to award them, from the Settlement Fund, attorneys' fees of no more than 25% of the Settlement Fund, which will include interest, and to reimburse them for their litigation expenses, such as the cost of experts, that they have incurred in pursuing the Action. The request for reimbursement of expenses will not exceed \$450,000, plus interest on the expenses from the date of funding at the same rate as may be earned by the Settlement Fund. Lead Counsel's overall request for reimbursement of litigation expenses may include a request for an award to Lead Plaintiffs for reimbursement of their reasonable costs and expenses directly related to their representation of the Settlement Class, pursuant to the Private Securities Litigation Reform Act of 1995.

OBJECTING TO THE SETTLEMENT

18. How do I tell the Court that I do not like something about the proposed Settlement?

If you are a Settlement Class Member and do not "opt out," you can object to any part of the Settlement, the proposed Plan of Allocation, and/or the application by Lead Counsel for attorneys' fees and reimbursement of expenses. You must write to the Court setting out your objection, giving reasons why you think the Court should not approve any part or all of the Settlement.

To object, you must send a signed letter stating that you object to the proposed Settlement in the case known as "*In re Colonial BancGroup, Inc. Securities Litigation*, 2:09-CV-00104-RDP-WC." You must include your name, address, telephone number and your signature; identify the date(s), price(s) and number of shares of all purchases, acquisitions and sales of Colonial Securities during the Settlement Class Period; and state the reasons why you object to the Settlement. This information is needed to demonstrate your membership in the Settlement Class.

Unless otherwise ordered by the Court, any Settlement Class Member who does not object in the manner described in this Notice will be deemed to have waived any objection and will not be able to make any objection to the Settlement, the proposed Plan of Allocation, and/or the application for attorneys' fees and reimbursement of expenses in the future.

Your objection must be filed with the United States District Court for the Middle District of Alabama, Northern Division by hand or by mail such that it is **received or postmarked on or before January 4, 2012** at the address set forth below. You must also serve the papers on Lead Counsel and Settling Defendants' Counsel at the addresses set forth below so that the papers are **received or postmarked on or before January 4, 2012**.

COURT:

CLERK OF THE COURT
United States District Court
for the Middle District of Alabama
U.S. District Court
P.O. Box 711
Montgomery, AL 36101-0711

LEAD COUNSEL:

LABATON SUCHAROW LLP
James W. Johnson, Esq.
140 Broadway
New York, New York 10005

COUNSEL FOR SETTLING DEFENDANTS:

LIGHTFOOT, FRANKLIN & WHITE, LLC
James F. Hughey III, Esq.
400 20th Street North
Birmingham, Alabama 35203-3200

WALLER LANSDEN DORTCH & DAVIS LLP
Larry B. Childs, Esq.
1901 Sixth Avenue North, Suite 1400
Birmingham, Alabama 35203-3200

19. What is the difference between objecting and requesting exclusion?

Objecting is simply telling the Court that you do not like something about the proposed Settlement. You can still recover from the Settlement. You can object only if you stay in the Settlement Class. Excluding yourself is telling the Court that you do not want to be part of the Settlement Class. If you exclude yourself, you have no basis to object because the case no longer affects you.

THE COURT'S SETTLEMENT HEARING

20. When and where will the Court decide whether to approve the proposed Settlement?

The Court will hold a Settlement Hearing at 1:00 p.m. on January 25, 2012, in the United States District Court for the Middle District of Alabama, Northern Division, **United States Courthouse, One Church Street, Montgomery, AL 36104**. At this hearing, the Court will consider whether the Settlement is fair, reasonable and adequate. The Court also will consider the proposed Plan of Allocation for the proceeds of the Settlement and the applications for attorneys' fees and reimbursement of expenses. The Court will take into consideration any written objections filed in accordance with the instructions set out above in the answer to Question 18. We do not know how long it will take the Court to make these decisions.

You should also be aware that the Court may change the date and time of the Settlement Hearing without another notice being sent to Settlement Class Members. If you want to come to the hearing, you should check with Lead Counsel before coming to be sure that the date and/or time has not changed.

21. Do I have to come to the hearing?

No. Lead Counsel will answer any questions the Court may have. But, you are welcome to come at your own expense. If you validly submit an objection, it will be considered by the Court. You do not have to come to Court to talk about it.

22. May I speak at the hearing and submit additional evidence?

If you file an objection, you may ask the Court for permission to speak at the Settlement Hearing. To do so, you must include with your objection (*see* Question 18 above) a statement that it is your "notice of intention to appear in *In re Colonial BancGroup, Inc. Securities Litigation*, 2:09-CV-00104-RDP-WC." Persons who object and want to present evidence at the Settlement Hearing must also include in their written objection the identity of any witness they may call to testify and exhibits they intend to introduce at the Settlement Hearing. You cannot speak at the hearing if you excluded yourself from the Settlement Class or if you have not provided written notice of your intention to speak at the Settlement Hearing according to the procedures described above and in the answer to Question 18.

IF YOU DO NOTHING

23. What happens if I do nothing at all?

If you do nothing, you will get no money from this Settlement and you will not be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against the Settling Defendants and the Released Defendant Parties about the Released Claims in this case. To be eligible to share in the Net Settlement Fund you must submit a Proof of Claim (*see* Question 10). To start, continue or be a part of any *other* lawsuit against the Settling Defendants and the other Released Defendant Parties about the Released Claims in this case you must exclude yourself from this Settlement Class (*see* Question 13).

GETTING MORE INFORMATION

24. Are there more details about the proposed Settlement and the lawsuit?

This Notice summarizes the proposed Settlement. More details are in the Amended and Restated Stipulation and Agreement of Settlement, dated as of September 14, 2011 (the "Stipulation"). You may review the Stipulation filed with the Court and all documents filed in the Action during business hours at the Office of the Clerk of the United States District Court for the Middle District of Alabama, United States Courthouse, One Church Street, Montgomery, AL 36104.

You also can call the Claims Administrator toll free at (866) 274-4004; call Lead Counsel: Labaton Sucharow at (888) 219-6877; write to *In re Colonial BancGroup, Inc. Securities Litigation*, 2:09-CV-00104-RDP-WC, c/o Strategic Claims Services, P.O. Box 230, 600 N. Jackson Street, Suite 3, Media, PA 19063; or visit the websites www.strategicclaims.net and www.labaton.com, where you can download copies of this Notice and the Proof of Claim. **Please Do Not Call the Court or the Settling Defendants With Questions About the Settlement.**

PLAN OF ALLOCATION OF NET SETTLEMENT FUND AMONG SETTLEMENT CLASS MEMBERS

GENERAL PROVISIONS

The Net Settlement Fund shall be distributed to each Settlement Class Member who timely submits a valid Proof of Claim to the Claims Administrator that is accepted for payment by the Court (“Authorized Claimant”). The Net Settlement Fund will not be distributed to Authorized Claimants until the Court has approved the Settlement and a plan of allocation, and the time for any petition for rehearing, appeal or review, whether by certiorari or otherwise, of the order(s) approving the Settlement and the plan of allocation has expired. The Settling Defendants are not entitled to get back any portion of the Settlement Fund once the Effective Date of the Settlement has occurred.

The Plan of Allocation set forth herein is the plan that is being proposed by Lead Plaintiffs and Lead Counsel to the Court for approval. The Court may approve this plan as proposed or it may modify the Plan of Allocation without further notice to the Class. Any orders regarding a modification of the Plan of Allocation will be posted on the Claims Administrator’s website, www.strategicclaims.net.

Payment pursuant to the Plan of Allocation approved by the Court shall be conclusive against all Authorized Claimants. No person shall have any claim against Lead Plaintiffs, Lead Counsel, or the Claims Administrator or other agent designated by Lead Counsel arising from distributions made substantially in accordance with the Stipulation, the Plan of Allocation, or further orders of the Court. Lead Plaintiffs, the Settling Defendants, their respective counsel, Lead Plaintiffs’ damages expert, and all other Released Parties shall have no responsibility or liability whatsoever for the investment or distribution of the Settlement Fund consistent with the terms of the Stipulation, the Plan of Allocation, or the determination, administration, calculation, or payment of any Proof of Claim or nonperformance of the Claims Administrator, the payment or withholding of taxes owed by the Settlement Fund, or any losses incurred in connection therewith.

A “Recognized Loss” will be calculated for each purchase of Colonial Securities during the Settlement Class Period that are listed in the Proof of Claim, and for which adequate documentation is provided. The calculation of Recognized Loss will depend upon several factors, including what type of securities were purchased, when the securities were purchased, and when they were sold.

The Recognized Loss formulas set forth below are not intended to be an estimate of the amount that a Class Member might have been able to recover after a trial, nor are they an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement. The Recognized Loss formulas are the basis upon which the Net Settlement Fund will be proportionately allocated to the Authorized Claimants.

The objective of the Plan of Allocation is to equitably distribute the settlement proceeds to those Settlement Class Members who suffered economic losses as a result of the alleged misrepresentations and omissions of the Defendants during the class period, as opposed to losses caused by market or industry factors or other Company-specific factors. The Plan of Allocation reflects Lead Plaintiffs’ determination of potentially recoverable losses based on Lead Plaintiffs’ consulting damages expert’s analysis. This analysis included a review of publicly available information regarding Colonial, statistical analyses of the price movements of Colonial Securities, and analyses under Section 11 of the Securities Act.

RECOGNIZED LOSS FORMULAS

(I) Recognized Loss Calculation for Common Stock Purchased (excluding common stock purchased in the April 23, 2008 Stock Offering) During the Class Period:

1. For shares of common stock purchased between April 18, 2007 and October 22, 2008, inclusive:

- A. For shares retained at the end of trading on August 6, 2009, the Recognized Loss shall be the lesser of:
 - (1) \$5.32 per share; or
 - (2) the difference between the purchase price per share and \$.11.⁴
- B. For shares sold between April 18, 2007 and October 22, 2008, inclusive, the Recognized Loss shall be zero.
- C. For shares sold between October 23, 2008 and January 27, 2009, inclusive, the Recognized Loss shall be the lesser of:
 - (1) \$3.78 per share; or
 - (2) the difference between the purchase price per share and the sales price per share for each share sold.

⁴ Pursuant to Section 21(D)(e)(1) of the Private Securities Litigation Reform Act of 1995, “in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, the award of damages to the plaintiff shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the subject security and the mean trading price of that security during the 90-day period beginning on the date on which the information correcting the misstatement or omission that is the basis for the action is disseminated.” \$.11 was the mean (average) daily closing trading price of Colonial common stock during the 90-day period beginning on August 7, 2009 and ending on November 4, 2009.

- D. For shares sold between January 28, 2009 and June 9, 2009, inclusive, the Recognized Loss shall be the lesser of:
 - (1) \$4.66 per share; or
 - (2) the difference between the purchase price per share and the sales price per share for each share sold.
 - E. For shares sold between June 10, 2009 and August 2, 2009, inclusive, the Recognized Loss shall be the lesser of:
 - (1) \$4.95 per share; or
 - (2) the difference between the purchase price per share and the sales price per share for each share sold.
 - F. For shares sold between August 3, 2009 and August 6, 2009, inclusive, the Recognized Loss shall be the lesser of:
 - (1) \$5.08 per share; or
 - (2) the difference between the purchase price per share and the sales price per share for each share sold.
- 2. For shares of common stock purchased between October 23, 2008 and January 27, 2009, inclusive:**
- A. For shares retained at the end of trading on August 6, 2009, the Recognized Loss shall be the lesser of:
 - (1) \$1.54 per share; or
 - (2) the difference between the purchase price per share and \$.11.
 - B. For shares sold between October 23, 2008 and January 27, 2009, inclusive, the Recognized Loss shall be zero.
 - C. For shares sold between January 28, 2009 and June 9, 2009, inclusive, the Recognized Loss shall be the lesser of:
 - (1) \$.88 per share; or
 - (2) the difference between the purchase price per share and the sales price per share for each share sold.
 - D. For shares sold between June 10, 2009 and August 2, 2009, inclusive, the Recognized Loss shall be the lesser of:
 - (1) \$1.17 per share; or
 - (2) the difference between the purchase price per share and the sales price per share for each share sold.
 - E. For shares sold between August 3, 2009 and August 6, 2009, inclusive, the Recognized Loss shall be the lesser of:
 - (1) \$1.30 per share; or
 - (2) the difference between the purchase price per share and the sales price per share for each share sold.
- 3. For shares of common stock purchased between January 28, 2009 and June 9, 2009, inclusive:**
- A. For shares retained at the end of trading on August 6, 2009, the Recognized Loss shall be the lesser of:
 - (1) \$.66 per share; or
 - (2) the difference between the purchase price per share and \$.11.
 - B. For shares sold between January 28, 2009 and June 9, 2009, inclusive, the Recognized Loss shall be zero.
 - C. For shares sold between June 10, 2009 and August 2, 2009, inclusive, the Recognized Loss shall be the lesser of:
 - (1) \$.29 per share; or
 - (2) the difference between the purchase price per share and the sales price per share for each share sold.

D. For shares sold between August 3, 2009 and August 6, 2009, inclusive, the Recognized Loss shall be the lesser of:

(1) \$.42 per share; or

(2) the difference between the purchase price per share and the sales price per share for each share sold.

4. For shares of common stock purchased between June 10, 2009 and August 2, 2009, inclusive:

A. For shares retained at the end of trading on August 6, 2009, the Recognized Loss shall be the lesser of:

(1) \$.37 per share; or

(2) the difference between the purchase price per share and \$.11.

B. For shares sold between June 10, 2009 and August 2, 2009, inclusive, the Recognized Loss shall be zero.

C. For shares sold between August 3, 2009 and August 6, 2009, inclusive, the Recognized Loss shall be the lesser of:

(1) \$.13 per share; or

(2) the difference between the purchase price per share and the sales price per share for each share sold.

5. For shares of common stock purchased between August 3, 2009 and August 6, 2009, inclusive:

A. For shares retained at the end of trading on August 6, 2009, the Recognized Loss shall be the lesser of:

(1) \$.24 per share; or

(2) the difference between the purchase price per share and \$.11.

B. For shares sold between August 3, 2009 and August 6, 2009, inclusive, the Recognized Loss shall be zero.

(II) Recognized Loss Calculation for Common Stock Purchased in the April 23, 2008 Stock Offering:

A. For shares retained at the end of trading on August 6, 2009, the Recognized Loss shall be \$7.33⁵ per share;

B. For shares sold prior to June 23, 2009, the Recognized Loss shall be the lesser of:

(1) \$7.33 per share; or

(2) the difference between the purchase price per share and the sales price per share for each share sold.

C. For shares sold between June 23, 2009 and August 6, 2009, inclusive, the Recognized Loss shall be the lesser of:

(1) \$7.33 per share; or

(2) the difference between the purchase price per share and the sales price per share for each share sold.

The total recovery payable to Authorized Claimants from common stock purchases in the April 23, 2008 stock offering shall not exceed seven and one-half percent (7.5%) of the Net Settlement Fund.

(III) Recognized Loss Calculation for Colonial's 8.875% Subordinated Notes due 2038 Issued in the March 3, 2008 Note Offering⁶ and Purchased during the Class Period:

A. For Notes retained at the end of trading on August 6, 2009, the Recognized Loss shall be the lesser of:

(1) \$18.40⁷ per note;

(2) Purchase price per note less the August 7, 2009 "settle-out" price (or assumed sale price) of 3.45⁸ per note.

B. For Notes sold on or before August 6, 2009, the Recognized Loss shall be the lesser of:

(1) \$18.40 per note;

(2) Purchase price per note (not to exceed the offering price of \$25 per note) less sales price per note.

The total recovery payable to Authorized Claimants from Note purchases during the Class Period shall not exceed ten percent (10%) of the Net Settlement Fund.

⁵ This represents the difference between the \$8.00 offering price on April 23, 2008 and the closing price of Colonial's common stock on June 23, 2009 of \$.67 per share, one full trading day after the initial suit was brought re: the April 23, 2008 Stock Offering.

⁶ For the Note Offering there were \$250 million of Notes issued in denominations of \$25 per Note.

⁷ This represents the difference between the \$25.00 Note Offering price on March 3, 2008 and the closing price of Colonial's Notes on June 23, 2009 of \$6.60 per Note, one full trading day after the initial suit for the Note Offering was brought.

⁸ This represents the August 7, 2009 closing price of Colonial 8.875% Subordinated Notes due 2038 of \$3.45 per Note.

(IV) Recognized Loss Calculation for Option Contracts During the Class Period:

For common stock call options

- (i) The Recognized Loss for each call option contract on Colonial common stock purchased or otherwise acquired during the Class Period shall be twenty-five percent (25%)⁹ of the lesser of (x) the common stock inflation per share¹⁰ for all shares covered by the call option contract on the date the call option was purchased, less, if sold, the common stock inflation per share for all shares covered by the call option contract on the date the call option was sold, or (y) the difference between: (a) the amount paid per call option contract and: (b) the sale price received per option contract when said call options were subsequently sold (if the option expired worthless, the sales price shall be deemed to be Zero (\$0.00));
- (ii) Shares of Colonial common stock acquired during the Class Period through the exercise of a call option shall be treated as a purchase on the date of exercise for the exercise price plus the cost of the call option, and any Recognized Loss arising from such transaction shall be computed as provided for other purchases of Colonial common stock as set forth herein;
- (iii) No Recognized Loss shall be calculated based upon the sale or writing of any call option that was subsequently repurchased.

For common stock put options

- (i) The Recognized Loss for each put option contract on Colonial common stock sold or written during the Class Period, shall be twenty-five percent (25%) of the lesser of (x) the common stock inflation per share for all shares covered by the put option contract on the date the claimant sold or wrote the put contract, less, if subsequently repurchased, the common stock inflation per share for all shares covered by the put option contract on the date the put option was repurchased, or (y) difference between: (a) the amount received per put option contract and (b) the purchase price paid per put option contract when said put options were subsequently repurchased at any time (including after the Class Period). For put options sold or written during the Class Period that expired worthless and unexercised, the Recognized Loss shall be Zero (\$0.00);
- (ii) For Colonial put options that were sold or written during the Class Period, that were “put” to the Authorized Claimant (i.e. exercised) at any time, the Recognized Loss shall be calculated as a purchase of Colonial common stock as shown herein, and as if the sale of the put option were instead a purchase of Colonial common stock on the date of the sale or writing of the put option, and the “purchase price paid” shall be the strike price of the put option less the proceeds received from the sale of the put option;
- (iii) No Recognized Loss shall be calculated based upon the sale of any put option that was previously purchased.

The total recovery payable to Authorized Claimants from transactions in call or put options shall not exceed five percent (5%) of the Net Settlement Fund.

ADDITIONAL PROVISIONS

If a Settlement Class Member has more than one purchase or sale of Colonial Securities during the Settlement Class Period, all purchases and sales shall be matched on a First In, First Out (“FIFO”) basis. Settlement Class Period sales will be matched first against any Colonial Securities held at the beginning of the Settlement Class Period, and then against purchases in chronological order, beginning with the earliest purchase made during the Settlement Class Period. Settlement Class Period Sales matched to Colonial Securities held at the beginning of the Settlement Class Period shall be excluded from the calculation of Recognized Losses. Purchases and sales of Colonial Securities shall be deemed to have occurred on the “contract” or “trade” date as opposed to the “settlement” or “payment” date. The receipt or grant by gift, inheritance or operation of law of Colonial Securities during the Settlement Class Period shall not be deemed a purchase or sale of these securities for the calculation of an Authorized Claimant’s Recognized Loss Amount for these securities nor shall the receipt or grant be deemed an assignment of any claim relating to the

⁹ Losses from transactions in options are discounted (i) because the purchase of a call option includes a time premium which is a wasting asset for which the purchaser pays that will evaporate even if the stock price remains the same, and (ii) because the expected additional volatility of such derivative securities makes it more difficult to prove that losses on such securities are causally related to the alleged wrongdoing, as opposed to non-actionable causes.

¹⁰ Common stock inflation per share for purposes of the Plan of Allocation is estimated as follows:

April 18, 2007 – October 22, 2008:	\$5.32 per share
October 23, 2008 – January 27, 2009:	\$1.54 per share
January 28, 2009 – June 9, 2009:	\$.66 per share
June 10, 2009 – August 2, 2009:	\$.37 per share
August 3, 2009 – August 6, 2009:	\$.24 per share

purchase/acquisition of such securities unless: (i) the donor or decedent purchased or otherwise acquired such Colonial Securities during the Settlement Class Period; (ii) no Proof of Claim was submitted by or on behalf of the donor, on behalf of the decedent, or by anyone else with respect to such securities; and (iii) the assignment is specifically provided for in the instrument of gift or assignment.

The date of covering a “short sale” is deemed to be the date of purchase of Colonial common stock. The date of a “short sale” is deemed to be the date of sale of Colonial common stock. The Recognized Loss for “short sales” is zero. In the event that there is an opening short position in Colonial common stock, the earliest Settlement Class Period purchases shall be matched against such opening short position, and not be matched against sales, until that short position is fully covered.

To the extent a Claimant had a market gain from his, her, or its overall transactions in Colonial Securities during the Settlement Class Period, the value of the claim will be zero. Such Claimants will, in any event, be bound by the Settlement. To the extent that a Claimant suffered an overall market loss on his, her, or its overall transactions in Colonial Securities during the Settlement Class Period, but that market loss was less than the total Recognized Loss calculated above, then the Claimant’s Recognized Loss shall be limited to the amount of the actual market loss.

Each Authorized Claimant shall recover his, her, or its *pro rata* share of the Net Settlement Fund. If the prorated claim calculates to less than \$10.00, it will be removed from the calculation and it will not be paid.

Distributions will be made to Authorized Claimants after all claims have been processed and after the Court has finally approved the Settlement. Following an initial distribution of the Net Settlement Fund, if Lead Counsel, in consultation with the Claims Administrator, determined that it is cost-effective to do so, the Claims Administrator will conduct a redistribution of any funds remaining in the Net Settlement Fund by reason of returned or uncashed checks or otherwise, to Authorized Claimants who have cashed their initial distribution checks, after payment from the Net Settlement Fund of any unpaid Taxes and costs or fees incurred in administering the funds, including for such redistribution. Additional redistributions may occur thereafter to Authorized Claimants if Lead Counsel, in consultation with the Claims Administrator, determines that additional redistribution is cost-effective. When it is determined that the redistribution of funds remaining in the Net Settlement Fund is not cost-effective, the remaining balance of the Net Settlement Fund shall be contributed to a non-sectarian, not-for-profit organization.

Each Claimant shall be deemed to have submitted to the jurisdiction of the United States District Court for the Middle District of Alabama with respect to his, her or its Proof of Claim.

SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES

If you purchased Colonial Securities during the Settlement Class Period for the beneficial interest of a person or organization other than yourself, the Court has directed that, WITHIN SEVEN (7) CALENDAR DAYS OF YOUR RECEIPT OF THIS NOTICE, you either: (a) provide to the Claims Administrator the name and last known address of each person or organization for whom or which you purchased Colonial’s publicly traded securities during such time period (preferably in an MS Excel data table, setting forth (i) title/registration, (ii) street address, (iii) city/state/zip; or electronically in MS Word or WordPerfect files; or on computer-generated mailing labels; or (b) request additional copies of this Notice and the Proof of Claim, which will be provided to you free of charge, and within seven (7) calendar days of receipt of such copies, send them by First-Class mail directly to the beneficial owners of those Colonial Securities.

If you choose to follow alternative procedure (b), the Court has directed that, upon such mailing, you send a statement to the Claims Administrator confirming that the mailing was made as directed. You are entitled to reimbursement from the Settlement Fund of your reasonable expenses actually incurred in connection with the foregoing, including reimbursement of postage expense and the cost of ascertaining the names and addresses of beneficial owners. Those expenses will be paid after request and submission of appropriate supporting documentation. All communications concerning the foregoing should be addressed to the Claims Administrator:

In re Colonial BancGroup, Inc. Securities Litigation
Claims Administrator
c/o Strategic Claims Services
P.O. Box 230
600 N. Jackson Street, Suite 3
Media, PA 19063
Phone: (866) 274-4004; Fax: (610) 565-7985
info@strategicclaims.net
www.strategicclaims.net

Dated: November 1, 2011

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF ALABAMA

**IN THE DISTRICT COURT OF THE UNITED STATES FOR THE
MIDDLE DISTRICT OF ALABAMA, NORTHERN DIVISION**

In re
COLONIAL BANCGROUP, INC.
SECURITIES LITIGATION

X
:
: Civil Action No.
: 2:09-CV-00104-RDP-WC
:
:
X

PROOF OF CLAIM AND RELEASE

TO HAVE AN OPPORTUNITY TO RECEIVE A SHARE OF THE SETTLEMENT FUND ESTABLISHED PURSUANT TO THE AMENDED AND RESTATED STIPULATION AND AGREEMENT OF SETTLEMENT WITH OFFICER AND DIRECTOR DEFENDANTS, DATED SEPTEMBER 14, 2011, YOU MUST COMPLETE AND SIGN THIS PROOF OF CLAIM, AND RETURN IT TO:

IN RE COLONIAL BANCGROUP, INC. SECURITIES LITIGATION

Claims Administrator
c/o Strategic Claims Services
P.O. Box 230
600 N. Jackson Street, Suite 3
Media, PA 19063

MAIL THIS FORM BY PREPAID, FIRST-CLASS MAIL, **POSTMARKED NO LATER THAN FEBRUARY 29, 2012**. FAILURE TO SUBMIT YOUR CLAIM BY FEBRUARY 29, 2012 WILL SUBJECT YOUR CLAIM TO REJECTION AND PRECLUDE YOU FROM RECEIVING ANY MONEY IN CONNECTION WITH THE PARTIAL SETTLEMENT OF THIS ACTION.

DO NOT MAIL OR DELIVER YOUR PROOF OF CLAIM TO THE COURT, THE SETTLING PARTIES OR THEIR COUNSEL. ANY SUCH CLAIM WILL BE DEEMED NOT TO HAVE BEEN SUBMITTED. SUBMIT YOUR CLAIM ONLY TO THE CLAIMS ADMINISTRATOR.

PART II—GENERAL INSTRUCTIONS

1. It is important that you completely read the Notice of Pendency of Class Action and Proposed Partial Settlement (the “Notice”) that accompanies this Proof of Claim and Release (“Proof of Claim”), and the Plan of Allocation included in the Notice. The Notice contains the definitions of many of the defined terms (which are indicated by initial capital letters) used in this Proof of Claim. By signing and submitting this Proof of Claim, you will be certifying that you have read the Notice, including the terms of the releases described therein and provided for herein.

2. This Proof of Claim is directed to any person or entity who purchased: (i) the common stock of the Colonial BancGroup, Inc. (“Colonial”); (ii) Colonial’s common stock traceable to the Company’s April 23, 2008 stock offering pursuant to the Registration Statement and Prospectus filed with the Securities and Exchange Commission (the “Stock Offering”); and (iii) the \$250 million worth of Subordinated Notes due in 2038, paying 8.875% interest on a quarterly basis, pursuant or traceable to Colonial’s Form S-3/A Shelf Registration Statement and Prospectus dated November 12, 2004 and Form 424 (b)(2) Prospectus Supplement dated February 28, 2008 (the “Note Offering,” and together with Colonial’s common stock and the Stock Offering, “Colonial Securities”) during the period between April 18, 2007 and August 6, 2009, inclusive (the “Settlement Class Period”), and were allegedly damaged thereby (the “Settlement Class”).

3. IF YOU ARE NOT A SETTLEMENT CLASS MEMBER, OR IF YOU, OR SOMEONE ACTING ON YOUR BEHALF, FILED A REQUEST FOR EXCLUSION FROM THE SETTLEMENT CLASS, DO NOT SUBMIT A PROOF OF CLAIM. YOU MAY NOT, DIRECTLY OR INDIRECTLY, PARTICIPATE IN THE SETTLEMENT IF YOU ARE NOT A SETTLEMENT CLASS MEMBER. THUS, IF YOU FILE A VALID REQUEST FOR EXCLUSION IN A TIMELY MANNER, ANY PROOF OF CLAIM THAT YOU SUBMIT, OR THAT MAY BE SUBMITTED ON YOUR BEHALF, WILL NOT BE ACCEPTED.

4. You may only participate in the distribution of the Net Settlement Fund if you are a member of the Settlement Class and if you complete and return this form as specified below. If you fail to file a timely, properly addressed, and completed Proof of Claim, your claim may be rejected and you may be precluded from receiving any distribution from the Net Settlement Fund.

5. **Submission of this Proof of Claim does not guarantee that you will share in the Net Settlement Fund.** The distribution of the Net Settlement Fund will be governed by the Plan of Allocation set forth in the Notice, if approved by the Court, or such other plan of allocation as the Court approves.

6. Use Parts III-V of this Proof of Claim to supply all required details of your transaction(s) in Colonial Securities during the Settlement Class Period. Provide all the requested information with respect to all purchases and sales of Colonial Securities during the Settlement Class Period.

7. You are required to submit genuine and sufficient documentation for all your transactions in and holdings of Colonial Securities during the Settlement Class Period as set forth in the Schedule of Transactions in Parts III-V. Documentation may consist of copies of brokerage confirmations or monthly statements. IF SUCH DOCUMENTS ARE NOT IN YOUR POSSESSION, PLEASE OBTAIN COPIES OR EQUIVALENT CONTEMPORANEOUS DOCUMENTS FROM YOUR BROKER. FAILURE TO SUPPLY THIS DOCUMENTATION MAY RESULT IN REJECTION OF YOUR CLAIM. DO NOT SEND ORIGINAL DOCUMENTS. Please keep a copy of all documents that you send to the Claims Administrator.

8. Separate Proofs of Claim should be submitted for each legal entity that has a claim. For example, if one joint owner also has an individual claim, two Proofs of Claim should be submitted. However, each Proof of Claim should include all transactions made by that entity, even if the transactions were in different accounts.

9. All joint beneficial owners must each sign this Proof of Claim. If you purchased the Colonial Securities during the Settlement Class Period and held the securities in your name, you are the beneficial owner as well as the record owner. If, however, you purchased Colonial Securities during the Settlement Class Period and the securities were registered in the name of a third party, such as a nominee or brokerage firm, you are the beneficial owner of these securities, but the third party is the record owner.

10. Agents, executors, administrators, guardians, and trustees must complete and sign the Proof of Claim on behalf of persons represented by them, and they must:

(a) expressly state the capacity in which they are acting;

(b) identify the name, account number, Social Security number (or taxpayer identification number), address and telephone number of the beneficial owner of (or other person or entity on whose behalf they are acting with respect to) the Colonial Securities during the Settlement Class Period; and

(c) furnish herewith evidence of their authority to bind the person or entity on whose behalf they are acting. (Authority to complete and sign a Proof of Claim cannot be established by stockbrokers demonstrating only that they have discretionary authority to trade stock in another person’s accounts.)

11. **NOTICE REGARDING ELECTRONIC FILES:** To obtain the mandatory electronic filing requirements and file layout, visit the website at www.strategicclaims.net or email the Claims Administrator at info@strategicclaims.net.

12. If you have questions concerning the Proof of Claim, or need additional copies of the Proof of Claim or the Notice, you may contact the Claims Administrator, Strategic Claims Services, at the above address or by toll-free phone 1-866-274-4004 or you may download the documents from www.strategicclaims.net.

**PART III—SCHEDULE OF TRANSACTIONS IN COLONIAL COMMON STOCK
DURING THE SETTLEMENT CLASS PERIOD**

A. BEGINNING HOLDINGS OF COLONIAL COMMON STOCK

State the total number of shares of Colonial common stock held as of the close of trading on April 17, 2007 _____.

IF NONE, CHECK HERE

B. PURCHASES OF COLONIAL COMMON STOCK

Separately list each and every transaction in Colonial common stock: (i) purchased during the period between April 18, 2007 and August 6, 2009, inclusive, or (ii) purchased pursuant and traceable to the Company's April 23, 2008 stock offering pursuant to the Registration Statement and Prospectus filed with the SEC.

IF NONE, CHECK HERE

Date(s) of Purchase(s) (List Chronologically) (Month/Day/Year)	Number of Shares Purchased	Purchase Price Per Share*	Proof of Purchase Enclosed
<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/>	\$ <input type="text"/> . <input type="text"/>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/>	\$ <input type="text"/> . <input type="text"/>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/>	\$ <input type="text"/> . <input type="text"/>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/>	\$ <input type="text"/> . <input type="text"/>	<input type="checkbox"/> Yes <input type="checkbox"/> No

C. SALES OF COLONIAL COMMON STOCK

Separately list each and every sale of Colonial common stock during the period between April 18, 2007 and August 6, 2009, inclusive.

IF NONE, CHECK HERE

Date(s) of Sale(s) (List Chronologically) (Month/Day/Year)	Number of Shares Sold	Sale Price Per Share*	Proof of Sale Enclosed
<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/>	\$ <input type="text"/> . <input type="text"/>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/>	\$ <input type="text"/> . <input type="text"/>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/>	\$ <input type="text"/> . <input type="text"/>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/>	\$ <input type="text"/> . <input type="text"/>	<input type="checkbox"/> Yes <input type="checkbox"/> No

D. ENDING HOLDINGS OF COMMON STOCK

State the total number of shares of Colonial common stock held as of the close of trading on August 6, 2009 _____.

IF NONE, CHECK HERE

PART IV—SCHEDULE OF TRANSACTIONS IN COLONIAL NOTES DURING THE SETTLEMENT CLASS PERIOD

A. PURCHASES OF COLONIAL NOTES

Separately list each and every Colonial Subordinated Note purchased during the period between April 18, 2007 and August 6, 2009, inclusive, that is due in 2038, paying 8.875% interest on a quarterly basis, and pursuant or traceable to Colonial's Form S-3/A Shelf Registration Statement and Prospectus dated November 12, 2004 and Form 424 (b)(2) Prospectus Supplement dated February 28, 2008.

IF NONE, CHECK HERE

Coupon Rate/ Maturity	Trade Date Month/Day/Year	Principal Amount	Cusip	Purchase Price per \$1000 of Principal Amount*	Aggregate Cost*

* Excluding taxes, fees and commissions.

B. SALES OF COLONIAL NOTES

Separately list each and every Colonial Subordinated Note sold during the period between April 18, 2007 and August 6, 2009, inclusive.

**IF NONE,
CHECK HERE**

Coupon Rate/Maturity	Trade Date Month/Day/Year	Principal Amount	Cusip	Sale Price per \$1000 of Principal Amount*	Aggregate Received*

PART V—SCHEDULE OF TRANSACTIONS IN COLONIAL OPTIONS DURING THE SETTLEMENT CLASS PERIOD

A. BEGINNING POSITION OF CALL OPTIONS

At the beginning of trading on April 18, 2007, the following call options on Colonial common stock were owned:

Date of Purchase (Month/Day/Year)	Number of Contracts	Expiration Month and Year/Strike Price of Options (i.e. July 2009/\$40)	Purchase Price Per Contract	Amount Paid*	Exercised "E" or Expired "X" (leave blank if neither)	Exercise Date (Month/Day/Year)

B. PURCHASES OF CALL OPTIONS

Purchases, including by way of exchange, conversion or otherwise (between April 18, 2007 and August 6, 2009, inclusive) of call options on Colonial common stock:

Date of Purchase (Month/Day/Year)	Number of Contracts	Expiration Month and Year/Strike Price of Options (i.e. July 2009/\$40)	Purchase Price Per Contract	Amount Paid*	Exercised "E" or Expired "X" (leave blank if neither)	Exercise Date (Month/Day/Year)

C. SALES OF CALL OPTIONS

Sales of the above call options on Colonial common stock which call options were purchased before August 7, 2009 (include all such sales no matter when they occurred):

Date of Purchase (Month/Day/Year)	Number of Contracts	Expiration Month and Year/Strike Price of Options (i.e. July 2009/\$40)	Sale Price Per Contract	Amount Received*

* Excluding taxes, fees and commissions.

D. BEGINNING WRITTEN POSITION OF PUT OPTIONS

At the beginning of trading on April 18, 2007 the following put options written on Colonial common stock were open:

Number of Contracts	Expiration Month and Year/Strike Price of Options (i.e. July 2009/\$40)	Sale Price Per Contract	Amount Received*	Assigned "A" or Expired "E" (leave blank if neither)	Assign Date (Month/Day/Year)

E. SALES (WRITING) OF PUT OPTIONS

Written (sold) put options on Colonial common stock (between April 18, 2007 and August 6, 2009, inclusive) as follows:

Date of Writing (Sale) (Month/Day/Year)	Number of Contracts	Expiration Month and Year/Strike Price of Options (i.e. July 2009/\$40)	Sale Price Per Contract	Amount Received*	Assigned "A" or Expired "E" (leave blank if neither)	Assign Date (Month/Day/Year)

F. COVERING TRANSACTIONS (REPURCHASES) OF PUT OPTIONS

Repurchases of the above put options on Colonial common stock that were written (sold) before August 7, 2009, (include all repurchases no matter when they occurred):

Date of Purchase (Month/Day/Year)	Number of Contracts	Expiration Month and Year/Strike Price of Options (i.e. July 2009/\$40)	Price Paid Per Contract	Aggregate Cost*

(IF YOU REQUIRE ADDITIONAL SPACE, ATTACH EXTRA SCHEDULES IN THE SAME FORMAT AS ABOVE. PRINT THE BENEFICIAL OWNER'S FULL NAME AND TAXPAYER IDENTIFICATION NUMBER ON EACH ADDITIONAL PAGE.)

* Excluding taxes, fees and commissions.

PART VI—CERTIFICATION

YOU MUST SIGN ON PAGE 21 OF THIS PROOF OF CLAIM

I (we) hereby acknowledge that as of the Effective Date, I (we) shall: (i) have and be deemed to have fully, finally and forever waived, released, discharged and dismissed each and every one of the Released Defendant Parties from any and all of the Released Claims; (ii) have and be deemed to have covenanted not to sue any of the Released Defendant Parties with respect to any and all of the Released Claims; and (iii) forever be barred and enjoined from commencing, instituting, prosecuting or maintaining any of the Released Claims against any of the Released Defendant Parties.

By signing and submitting this Proof of Claim, the claimant(s) or the person(s) who represents the claimant(s) certifies, as follows:

1. that I (we) have read the Notice, the Plan of Allocation and the Proof of Claim, including the releases provided for in the Settlement;

2. that the claimant(s) is (are) Settlement Class Member(s), as defined in the Notice, and is (are) not excluded from the Settlement Class;
3. that the claimant(s) has (have) not submitted a request for exclusion from the Settlement Class;
4. that the claimant(s) owns(ed) the Colonial Securities identified in the Proof of Claim during the Settlement Class Period and has (have) not assigned the claim against the Released Defendant Parties to another, or that, in signing and submitting this Proof of Claim, the claimant(s) has (have) the authority to act on behalf of the owner(s) thereof;
5. that the claimant(s) has (have) not submitted any other claim covering the same purchases, sales, or holdings of Colonial Securities during the Settlement Class Period and knows of no other person having done so on his/her/its/their behalf;
6. that the claimant(s) submits (submit) to the jurisdiction of the Court with respect to his/her/its/their claim and for purposes of enforcing the releases set forth herein;
7. that I (we) agree to furnish such additional information with respect to this Proof of Claim as the Claims Administrator or the Court may require;
8. that the claimant(s) waives (waive) the right to trial by jury, to the extent it exists, and agrees (agree) to the Court's summary disposition of the determination of the validity or amount of the claim made by this Proof of Claim; and
9. that I (we) acknowledge that the claimant(s) will be bound by and subject to the terms of any judgment that may be entered in the Litigation;

UNDER THE PENALTIES OF PERJURY, I (WE) CERTIFY THAT ALL OF THE INFORMATION PROVIDED BY ME (US) ON THIS FORM IS TRUE, CORRECT, AND COMPLETE, AND THAT THE DOCUMENTS SUBMITTED HEREWITH ARE TRUE AND CORRECT COPIES OF WHAT THEY PURPORT TO BE.

Signature of Claimant

Print Name of Claimant

Date

Signature of Joint Claimant, if any

Print Name of Joint Claimant

Date

THIS PROOF OF CLAIM MUST BE MAILED TO THE CLAIMS ADMINISTRATOR BY FIRST-CLASS MAIL, POSTAGE PREPAID, **POSTMARKED BY FEBRUARY 29, 2012**, ADDRESSED AS FOLLOWS:

IN RE COLONIAL BANCGROUP, INC. SECURITIES LITIGATION
 Claims Administrator
 c/o Strategic Claims Services
 P.O. Box 230
 600 N. Jackson Street, Suite 3
 Media, PA 19063

You should be aware that it will take a significant amount of time to fully process all of the Proof of Claims. Please notify the Claims Administrator of any change of address.

REMINDER CHECKLIST

1. Please sign the above release and certification. If this Proof of Claim is being made on behalf of joint claimants, then both must sign.
2. Remember to attach only copies of supporting documentation.
3. Please do not highlight any portion of the Proof of Claim or any supporting documents.
4. Do not send original stock certificates or documentation. These items cannot be returned to you by the Claims Administrator.
5. Keep copies of the completed Proof of Claim and documentation for your own records.
6. If you desire an acknowledgment of receipt of your Proof of Claim, please send it to the Claims Administrator Certified Mail, Return Receipt Requested.
7. If your address changes in the future, or if this Proof of Claim was sent to an old or incorrect address, please send the Claims Administrator written notification of your new address. If you change your name, please inform the Claims Administrator.
8. If you have any questions or concerns regarding your claim, please contact the Claims Administrator at the above address or at 1-866-274-4004, or visit www.strategicclaims.net.

[THIS PAGE INTENTIONALLY LEFT BLANK]

IN RE COLONIAL BANCGROUP, INC. SECURITIES LITIGATION
Claims Administrator
c/o Strategic Claims Services
600 N. Jackson Street, Suite 3
Media, PA 19063

FIRST CLASS MAIL
U.S. POSTAGE
PAID
PERMIT NO. 138
PHILADELPHIA, PA

PLEASE FORWARD

FIRST CLASS MAIL

PLEASE FORWARD—IMPORTANT LEGAL NOTICE