

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

In re
COLONIAL BANCGROUP, INC.
SECURITIES LITIGATION

) Civil Action No.
) 2:09-CV-00104-RDP-WC
)
) **NOTICE OF PROPOSED**
) **SETTLEMENT WITH REMAINING**
) **DEFENDANTS AND MOTION FOR**
) **ATTORNEYS' FEES AND EXPENSES**
)
)

If you purchased or acquired 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 “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.

The purpose of this Notice is to inform you of (i) the proposed Settlement of this class action with the remaining defendants in the litigation and (ii) the hearing to be held by the Court to consider approval of the Settlement, the proposed Plan of Allocation for the proceeds of the Settlement, and the application of Lead Counsel for attorneys’ fees and expenses. This Notice explains important rights you may have, including what steps you must take if you wish to participate in the Settlement or wish to be excluded from the Settlement Class (defined in Question 5 below).¹

If approved by the Court, the proposed Settlement with 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 (collectively, the “Underwriter Defendants”) and PricewaterhouseCoopers LLP (“PwC”) (collectively with the Underwriter Defendants, the “Defendants”) and Bear Stearns Companies; Charles Schwab & Co., Inc.; Fidelity Capital Markets; H&R Block Financial Advisors, Inc. (n/k/a Ameriprise Financial Services, Inc.); J.J.B. Hilliard, W.L. Lyons, Inc.; Janney Montgomery Scott LLC; Keefe, Bruyette & Woods, Inc.; Oppenheimer & Co., Inc.; Raymond James & Associates; Robert W. Baird & Co. Incorporated; Sterne, Agee & Leach, Inc.; Wells Fargo Securities, LLC; B.C. Ziegler and Company; City Securities Corporation; Crowell, Weedon & Co.; D.A. Davidson & Co.; Davenport & Company, LLC; Doley Securities, LLC; Ferris, Baker Watts, Inc. (n/k/a RBC Wealth Management); Fixed Income Securities, LP (n/k/a Advisors Asset Management); Jefferies & Company, Inc.; Mesirov Financial, Inc.; Pershing LLC; Piper Jaffray & Co.; Samuel A. Ramirez & Co., Inc.; Stone & Youngberg LLC; Wedbush Morgan Securities; and William Blair & Company, LLC (collectively, the “Tolled Defendants”) will create a \$7.9 million settlement fund for the benefit of eligible investors who purchased or acquired Colonial Securities (defined in Question 1 below) during the Class Period.

The Settlement resolves *all* claims remaining in the Action brought by the 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

¹ All capitalized terms used in this Notice are defined in the Stipulation and Agreement of Settlement with Remaining Defendants (the “Stipulation”), dated as of February 3, 2015.

of themselves, Plaintiff The Horace F. Moyer and Joan M. Moyer Living Trust, Plaintiff City of Worcester Retirement System, and the proposed Settlement Class. The Settlement avoids the costs and risks of continuing the Action, pays money to investors like you, and releases the Released Defendant Parties from liability.

The Settlement is in addition to a previously approved \$10.5 million settlement with the former officer and director defendants (the “Colonial I Settlement”).

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.

**If you are in the Settlement Class, your legal rights will be affected whether or not you act.
Please read this Notice carefully.**

YOUR LEGAL RIGHTS AND OPTIONS IN THE SETTLEMENT	
ACTIONS YOU MAY TAKE	EFFECT OF TAKING THIS ACTION
SUBMIT A CLAIM FORM NO LATER THAN JULY 27, 2015	If you did <i>not</i> previously submit a claim in connection with the Colonial I Settlement by February 28, 2014, you must do so now in order to be eligible to recover from the proposed Settlement. If you <i>did</i> previously submit a claim in the Colonial I Settlement by February 28, 2014, do not do so again . Your prior claim will be used again. <i>See</i> Question 10 for details.
EXCLUDE YOURSELF FROM THE SETTLEMENT CLASS NO LATER THAN MAY 28, 2015	Get no payment. This is the <i>only</i> option that, assuming your claim is timely brought, allows you to ever be part of any other lawsuit concerning the Released Claims (defined below) against Defendants and the other Released Defendant Parties (defined below). It is also the <i>only</i> way for Settlement Class Members to remove themselves from the Settlement Class. <i>See</i> Question 13 for details.
OBJECT TO THE SETTLEMENT NO LATER THAN MAY 28, 2015	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 payment of expenses. You cannot object if you are not a Settlement Class Member or if you exclude yourself. <i>See</i> Question 18 for details.
GO TO THE HEARING ON JUNE 18, 2015 AT 9:30 A.M., AND FILE A NOTICE OF INTENTION NO LATER THAN MAY 28, 2015	Ask to speak in Court about the fairness of the Settlement, the proposed Plan of Allocation, and/or the request for attorneys’ fees and payment of expenses.
DO NOTHING	Get no payment, if you did not submit a claim in the Colonial I Settlement. Remain a Settlement Class Member. Give up your rights.

SUMMARY OF THIS NOTICE

I. Statement of Plaintiffs' Recovery

Pursuant to the proposed Settlement with the remaining Defendants in the Action, Lead Plaintiffs, on behalf of the proposed Settlement Class, have agreed to settle all claims related to the purchase or acquisition of Colonial Securities during the Class Period that were or could have been asserted against Defendants and Tolerated Defendants, in exchange for a payment of \$7,900,000 in cash (the "Settlement Amount"), which will be deposited into an interest-bearing escrow account (the "Settlement Fund"). Based on Lead Plaintiffs' estimate of the number of Colonial Securities that may have been damaged during the Class Period and assuming that all those securities participate in the Settlement, Lead Counsel estimates that the average recovery would be approximately \$0.02 per allegedly damaged share of common stock and \$0.14 per allegedly damaged note, before the deduction of Court-approved attorneys' fees and expenses, Taxes, and Notice and Administration Expenses. 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 their security was purchased, the type of security purchased, and the prices at which the security was purchased or sold. The Net Settlement Fund (the Settlement Fund less Taxes, Notice and Administration Expenses, 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 13 below).

II. Statement of Potential Outcome of the Case

The Parties do not agree on the average amount of damages per share or note of Colonial Securities that would be recoverable if Lead Plaintiffs were to prevail on the claims against Defendants. Defendants and Tolerated Defendants deny all liability and that any of Colonial's publicly traded securities were damaged as Lead Plaintiffs have alleged. The issues about which the Parties disagree include, for example: (i) whether the prices of Colonial Securities were artificially inflated as a result of the alleged misstatements and omissions by Defendants and Tolerated 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 Defendants and Tolerated 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 the prices of 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.

III. Statement of Attorneys' Fees and Litigation Expenses Sought

Lead Counsel 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 accrued interest. In addition, Lead Counsel also will apply for the payment of litigation expenses incurred in connection with the prosecution and resolution of the Action, in an amount not to exceed \$500,000, plus interest from the date of funding at the same rate as earned by the Settlement Fund. Lead Counsel's Fee and Expense Application 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 (the “PSLRA”). If the Court approves Lead Counsel’s Fee and Expense Application in full, the average amount of fees and expenses will be approximately \$0.005 per allegedly damaged share of common stock and \$0.04 per allegedly damaged note.

IV. 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, (888) 219-6877, www.labaton.com, settlementquestions@labaton.com.

V. 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 a contested trial and appeals are resolved, likely years into the future. For Defendants and Tolled 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.

[END OF PSLRA COVER PAGE]

BASIC INFORMATION

1. Why did I get this Notice?

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 (the “Stock Offering”); and
- the \$250 million worth of Subordinated Notes due in 2038, paying 8.875% interest on a quarterly basis (“Subordinated Notes”), 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 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 claims in the Action. The Court will consider whether to approve the Settlement at a Settlement Hearing on June 18, 2015 at 9:30 a.m. (*See* page 12 below for more information.) 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 (the “Court”), 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 entities being sued are called “defendants.”

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

This Action began in February 2009 when a series of securities class action complaints were filed against Colonial and certain of its officers and directors in the United States District Court for the Middle District of Alabama, Northern Division. On May 7, 2009, the Court appointed Lead Plaintiffs and appointed Labaton Sucharow LLP as Lead Counsel. Lead Plaintiffs filed a Consolidated Class Action Complaint for Violations of the Federal Securities Laws (the “Consolidated Complaint”) on June 22, 2009 alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder by the U.S. Securities and Exchange Commission (“SEC”) and violations of Sections 11, 12(a)(2), and 15 of the Securities Act of 1933 (the “Securities Act”). The Exchange Act claims alleged 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 the Stock Offering and the Note Offering conducted by the Company in April and March of 2008, respectively.

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. The Court thereafter invited comment as to whether the Action should be stayed as a result of the petition. In September 2009, Defendants began filing motions to dismiss the Consolidated Complaint and on September 25, 2009, the Court suspended further briefing on the motions to dismiss pending the Court’s decision as to whether the automatic bankruptcy stay should 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 motions to dismiss. On May 18, 2010, 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. On December 15, 2010, a status conference was held in which the Court deemed the motions to reconsider moot and instructed Lead Plaintiffs to file an amended complaint.

On April 29, 2011, Lead Plaintiffs filed the operative First Amended Consolidated Class Action Complaint for Violations of the Federal Securities Laws (the “Amended Complaint”). The Amended Complaint alleged claims against PwC under Section 10(b) of the Exchange Act and Section 11 of the Securities Act, and claims against the Underwriter Defendants under Sections 11 and 12(a) of the Securities Act. On August 1, 2011, the Underwriter Defendants and PwC filed separate motions to dismiss the Amended Complaint. The Court heard oral argument on the motions on November 29, 2012.

On September 14, 2011, Lead Plaintiffs, the officer defendants, and the director defendants entered into the Colonial I Settlement, which was finally approved by the Court on April 19, 2012.

On March 15, 2013, Lead Plaintiffs sought leave to amend the Amended Complaint to add allegations regarding the subjective and objective falsity of Defendants’ alleged misstatements and to incorporate information obtained from a complaint against PwC by the Federal Deposit Insurance Corporation (“FDIC”) and from a release by the Public Company Accounting Oversight Board (“PCAOB”). On September 9, 2013, the Court denied Lead Plaintiffs’ motion for leave to amend the Amended Complaint.

On September 9, 2013, the Court dismissed most of the Securities Act claims against the Underwriter Defendants and PwC. The Section 11 and 12 claims that remain are those that relate to the alleged mortgage warehouse lending division fraud at Colonial Bank. On March 27, 2014, the Court issued a Memorandum Opinion dismissing the Exchange Act claim against PwC, holding that Lead Plaintiffs

failed to allege material misstatements, scienter, or loss causation. On May 2, 2014, Defendants filed and served answers to the Amended Complaint.

In late June 2014, the Parties engaged Robert A. Meyer, a well-respected and highly experienced mediator and a partner at Loeb & Loeb LLP in Los Angeles, to assist them in exploring a potential negotiated resolution of the claims. On September 10, 2014, Lead Plaintiffs and representatives of Defendants met with Mr. Meyer in an attempt to reach a settlement. The mediation involved an extended effort to settle the claims. Following lengthy, arm's-length, and mediated negotiations under the auspices of Mr. Meyer, the Parties reached a tentative agreement to settle the remaining claims in the Action for \$7.9 million in cash. Following continued arm's-length negotiations, the Parties entered into the Stipulation.

Defendants and Tolled 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. What are the reasons for the Settlement?

The Court did not decide in favor of Lead Plaintiffs or Defendants. Instead, both sides, with the assistance of a mediator, agreed to a settlement. The Settlement will end all the claims in the Action and will 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, conduct discovery, have a trial and exhaust all appeals.

The Settlement was reached after years 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: (i) review and analysis of documents filed publicly with the SEC; (ii) review and analysis of press releases issued by or concerning Colonial; (iii) review and analysis of research reports issued by financial analysts concerning Colonial Securities; (iv) review and analysis of news articles and media reports concerning Colonial's operations; (v) review and analysis of investigative findings by the FDIC and PCAOB; (vi) Lead Counsel's internal investigation, which involved the identification of more than 700 potential witnesses and contacting almost 80 potential witnesses; (vii) review and analysis of pleadings and materials filed in other actions that name certain Defendants or former defendants in the Action, including the October 31, 2012 FDIC complaint against PwC, the Taylor, Bean & Whitaker Plan Trust complaint filed against PwC, and transcripts from the trial of Lee B. Farkas; and (viii) consultations with experts. 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.

Defendants and Tolled 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 Defendants or Tolled Defendants about any of the claims, their fault or liability for damages.

WHO IS IN THE SETTLEMENT

4. Why is this a class action?

In a class action, one or more people called "class representatives" sue on behalf of people or entities, known as "class members," who have similar claims. Here, the Court preliminarily certified the Settlement Class for purposes of the Settlement only. 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.

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

The Court determined, for the purpose of the proposed Settlement, that everyone who fits the following description is a member of the Settlement Class, unless they are an excluded person or they take steps to exclude themselves (*see* Question 13 below):

all persons and entities that purchased or acquired during the period between April 18, 2007 and August 6, 2009, inclusive: (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 ("Subordinated Notes"), 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 were allegedly damaged thereby.

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 Class Period as described above.

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 Defendants, assuming your claim is brought timely, 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. You can call the Claims Administrator at (866) 274-4004 or visit 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. (As discussed below, if you previously submitted a claim form in connection with the Colonial I Settlement, please **do not** do so again.)

THE SETTLEMENT BENEFITS—WHAT YOU MAY RECEIVE

8. What does the Settlement provide?

In exchange for the Settlement and the release of the Released Claims (defined below) against the Released Defendant Parties (defined below), Defendants and Tolled Defendants have agreed to fund a \$7.9 million cash fund, which will earn interest, to be divided, after deduction of Taxes, Court-awarded attorneys' fees and expenses, and Notice and Administration Expenses, among all Settlement Class Members who timely submit valid Proofs of Claim that are accepted for payment by the Court. (This will be in addition to any distributions from the Colonial I Settlement.)

9. How much will my payment be?

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. (See the Plan of Allocation beginning on page 13 for more information on your Recognized Loss.)

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 submitted their Proofs of Claim, the payment any Authorized Claimant will get will be his, her, or its *pro rata* share of the Net Settlement Fund. An Authorized Claimant's *pro rata* share will be his, her, or its Recognized Loss divided by the total Recognized Losses of all Authorized Claimants and then multiplied by the total amount in the Net Settlement Fund.

HOW YOU GET A PAYMENT—SUBMITTING A PROOF OF CLAIM

10. How can I get a payment?

To be eligible for a payment from the Settlement, you must **EITHER:**

- (1) have already submitted a claim in connection with the prior Colonial I Settlement by February 28, 2014; **OR**
- (2) if you ***did not*** previously submit a claim in connection with the Colonial I Settlement by February 28, 2014, you must timely submit a validly completed Proof of Claim with supporting documents (DO NOT SEND ORIGINALS) in this Settlement.

DO NOT SUBMIT A PROOF OF CLAIM IF YOU ALREADY SUBMITTED A TIMELY ONE IN CONNECTION WITH THE COLONIAL I SETTLEMENT.

If you submitted a claim in the Colonial I Settlement by February 28, 2014, that claim and the transactional information you already provided will be used to determine your eligibility for a payment from this Settlement. If you previously received a letter from the Claims Administrator about your Colonial I Settlement claim being deficient, you must contact the Claims Administrator to rectify your claim before it can count in this Settlement. You can call the Claims Administrator at (866) 274-4004 to find out if you previously submitted a claim and whether it was valid or deficient. (Checks have been mailed to all eligible claimants in the Colonial I Settlement.)

If the Claims Administrator **did not** receive a claim from you in connection with the Colonial I Settlement or you submitted a claim **after February 28, 2014**, you must submit the Proof of Claim that is being mailed to you with this Notice in order to be eligible to recover from this Settlement. You may also get a Proof of Claim on the Internet 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 or received no later than July 27, 2015**. The Claims Administrator needs all of the information requested in the Proof of Claim in order to determine what you may be entitled to.

11. When will I get my payment?

The Court will hold a hearing on June 18, 2015 at 9:30 a.m., to decide whether to approve the Settlement. 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 upon the “Effective Date”, you will forever give up and release all “Released Claims” (as defined below) against the “Released Defendant Parties” (as defined below). If you remain a member of the Settlement Class, all of the Court’s orders about the Settlement will apply to you and legally bind you.

“Released Claims” means any and all claims and causes of action of every nature and description, including both known claims and Unknown Claims (defined below), whether arising under federal, state, common, administrative or foreign law, whether class or individual in nature, that Plaintiffs or any other Settlement Class Member: (i) asserted in the Action; or (ii) could have asserted in the Action or any other action or in any forum, that arise out of, relate to, or are in connection with the claims, allegations, transactions, facts, events, acts, disclosures, statements, representations, or omissions or failures to act involved, set forth, or referred to in the complaints filed in the Action and that relate, directly or indirectly, to the purchase or acquisition of Colonial Securities during the Class Period. 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 Settlement 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 in any related ERISA or derivative action.

“Released Defendants’ Claims” means all claims and causes of action of every nature and description, including both known claims and Unknown Claims (as defined below), whether arising under federal, state, common or foreign law, that Defendants and/or Tolled Defendants 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 claims alleged in the Amended Complaint, except for claims relating to the enforcement of the Settlement.

“Released Defendant Parties” means Defendants, Tolled Defendants, Defendants’ Counsel, and each of their respective past or present subsidiaries, parents, divisions, and affiliates; the respective present and former principals, successors and predecessors, assigns, officers, directors, shareholders, trustees, partners, agents, fiduciaries, contractors, employees, attorneys, auditors, insurers, members, advisors, and accountants of each of them; the predecessors, successors, estates, heirs, executors, trusts, trustees, administrators, agents, representatives, and assigns of each of them, in their capacity as such; any firm, trust, corporation, or entity in which any Defendant or Tolled Defendant has a controlling interest; and any of the legal representatives, heirs, successors in interest or assigns of Defendants or Tolled Defendants.

“Unknown Claims” means any and all Released Claims that Lead Plaintiffs or any other Settlement Class Member do 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 and all Released Defendants’ Claims that Defendants or Tolled Defendants do not know or suspect to exist in 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, including the decision to object to the terms of the Settlement or to exclude himself, herself, or itself from the Settlement Class. With respect to any and all Released Claims and Released Defendants’ Claims, the Parties stipulate and agree that, upon the Effective Date, Lead Plaintiffs, Defendants, and Tolled 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, to the fullest extent permitted by law, 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, other Settlement Class Members, Defendants, or Tolerated Defendants may hereafter discover facts, legal theories, or authorities in addition to or different from those which any of them 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, Defendants, and Tolerated Defendants shall expressly, fully, finally, and forever settle and release, and each 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, legal theories, or authorities. Lead Plaintiffs, Defendants, and Tolerated 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 material 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. Defendants and Tolerated 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 Settlement Class?

To "opt out" (exclude yourself) from the Settlement Class, you must 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/notes concerning of all your purchases and sales of Colonial Securities during the Class Period. In addition, you must include your name, address, telephone number, and your signature. You must mail your request for exclusion so that it is **received no later than May 28, 2015**, to:

In re Colonial BancGroup, Inc. Securities Litigation
EXCLUSIONS
c/o Strategic Claims Services
600 North Jackson Street, Suite 3
Media, PA 19063

You cannot exclude yourself by telephone or by email. Your exclusion request 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 Fee and Expense Application, because they will not impact you. You will not be legally bound by anything that happens in this lawsuit, and you may be able to sue (or continue to sue) Defendants, Tolerated Defendants, and the other Released Defendant Parties.

(The time to seek exclusion from the Colonial I Settlement has passed. A request for exclusion from the proposed Settlement will not exclude you from the Colonial I Settlement.)

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

No. Unless you exclude yourself, you give up any rights to sue Defendants, Tolerated 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 **May 28, 2015**.

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 Defendants, Tolerated Defendants, and the other Released Defendant Parties.

THE LAWYERS REPRESENTING YOU

16. Do I have a lawyer in this case?

The Court appointed the law firm of Labaton Sucharow LLP 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 to appear for you at your own expense.

17. How will the lawyers be paid?

Lead Counsel has not received any payment for its services in pursuing the claims against Defendants on behalf of the Settlement Class, nor has it been reimbursed for litigation expenses incurred after the Colonial I Settlement was approved in April 2012. At the Settlement Hearing described below, or at such other time as the Court may order, Lead Counsel will ask the Court to award it, from the Settlement Fund, attorneys' fees of no more than 25% of the Settlement Fund, which will include interest, and to pay it for its litigation expenses, such as the cost of experts, that have been incurred in pursuing the Action. The request for payment of expenses will not exceed \$500,000, 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 request for payment of litigation expenses may also 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 PSLRA.

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 Fee and Expense Application. 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, the Plan of Allocation, and/or the Fee and Expense Application.

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 Class Period; and state the reasons why you object. 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 Fee and Expense Application in the future.

Your objection must be filed with the Court and mailed or delivered to the following counsel so that it is **received no later than May 28, 2015** at the addresses set forth below:

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

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

**COUNSEL FOR UNDERWRITER
DEFENDANTS AND TOLLED DEFENDANTS**
Maynard, Cooper & Gale, P.C.
Carl S. Burkhalter, Esq.
1901 Sixth Avenue North
2400 Regions Harbert Plaza
Birmingham, AL 35203

**COUNSEL FOR
PRICEWATERHOUSECOOPERS LLP**
King & Spalding LLP
Drew D. Dropkin, Esq.
1180 Peachtree Street, NE
Atlanta, GA 30309

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 and grant related relief?

The Court will hold a Settlement Hearing at **9:30 a.m. on Thursday, June 18, 2015**, before the Honorable R. David Proctor of the United States District Court for the Northern District of Alabama (assignment by designation) in the Hugo L. Black United States Courthouse, 1729 5th Avenue North, Birmingham, Alabama 35203, in Courtroom 7A. 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 Fee and Expense Application. 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 Settlement 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 Settlement 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 Settlement 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, and you did not submit a claim in connection with the prior Colonial I Settlement by February 28, 2014, 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 Defendants, Tolerated Defendants, and the Released Defendant Parties about the Released Claims. To share in the Net Settlement Fund you must submit a Proof of Claim (*see* Question 10) or have submitted one previously in connection with the Colonial I Settlement. To start, continue or be a part of any *other* lawsuit against Defendants, the Tolerated Defendants, and the other Released Defendant Parties about the Released Claims 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 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 at (888) 219-6877; write to *In re Colonial BancGroup, Inc. Securities Litigation*, 2:09-CV-00104-RDP-WC, c/o Strategic Claims Services, 600 North Jackson Street, Suite 3, Media, PA 19063; or visit the websites www.strategicclaims.net and www.labaton.com, where you can download copies of the Stipulation, this Notice, and the Proof of Claim.

Please Do Not Call the Court or 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 Settlement Class Members who timely submit valid Proofs of Claim to the Claims Administrator that are accepted for payment by the Court (“Authorized Claimants”). 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. Defendants and Tolerated 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 without further notice to the Settlement Class. Any orders regarding a modification of the Plan of Allocation will be posted on the settlement 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, Defendants, Tolerated Defendants, their respective counsel, Lead Plaintiffs' consulting 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 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 Settlement Class Member might have been damaged or 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 Authorized Claimants. The objective of the Plan of Allocation is to equitably distribute the Net Settlement Fund to those Settlement Class Members who suffered economic losses as a result of the alleged misrepresentations and omissions of Defendants during the Class Period, as opposed to losses caused by market or industry factors or other Company-specific factors. The Plan of Allocation was created with the assistance of Lead Plaintiffs' consulting damages expert, who reviewed publicly available information regarding Colonial and analyzed the price movements of Colonial Securities.

RECOGNIZED LOSS FORMULAS

(I) RECOGNIZED LOSS CALCULATION FOR COMMON STOCK PURCHASED DURING THE CLASS PERIOD (EXCLUDING COMMON STOCK PURCHASED IN THE APRIL 23, 2008 STOCK OFFERING):

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 \$.11.²

² Pursuant to Section 21(D)(e)(1) of the PSLRA, "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.

- 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.
 - 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.

Given the Court's dismissal of the Exchange Act claims, the total recovery payable to Authorized Claimants arising from common stock purchased (excluding common stock purchased in the April 23, 2008 Stock Offering) shall not exceed fifty percent (50%) of the Net Settlement Fund.

(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 \$7.33³ 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.

(III) RECOGNIZED LOSS CALCULATION FOR COLONIAL'S 8.875% SUBORDINATED NOTES DUE 2038 ISSUED IN THE MARCH 3, 2008 NOTE OFFERING⁴ AND PURCHASED DURING THE CLASS PERIOD:

- A. For Subordinated Notes retained at the end of trading on August 6, 2009, the Recognized Loss shall be the lesser of:
 - (1) \$18.40⁵ per note; or
 - (2) Purchase price per note less the August 7, 2009 "settle-out" price (or assumed sale price) of \$3.45⁶ per note.

³ \$7.33 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 Consolidated Complaint alleging claims based on the April 23, 2008 Stock Offering was filed.

⁴ In the Note Offering, \$250 million of Subordinated Notes were issued in denominations of \$25 per note.

⁵ \$18.40 represents the difference between the \$25.00 Note Offering price on March 3, 2008 and the closing price of the notes on June 23, 2009 of \$6.60 per note, one full trading day after the Consolidated Complaint alleging claims based on the Note Offering was filed.

⁶ This represents the August 7, 2009 closing price of Colonial 8.875% Subordinated Notes due 2038 of \$3.45 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; or
 - (2) Purchase price per note (not to exceed the offering price of \$25 per note) less sales price per note.

(IV) RECOGNIZED LOSS CALCULATION FOR PUBLICLY TRADED OPTION CONTRACTS⁷ DURING THE CLASS PERIOD:

A. 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%)⁸ of the lesser of (x) the common stock inflation per share⁹ 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 above;
- (iii) No Recognized Loss shall be calculated based upon the sale or writing of any call option that was subsequently repurchased.

B. 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);

⁷ Unexercised stock options granted to Colonial employees in connection with their employment are not eligible for a recovery in the Settlement.

⁸ 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.

⁹ 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

- (ii) For Colonial put options that were sold or written during the Class Period, that were “put” to the claimant (i.e. exercised) at any time, the Recognized Loss shall be calculated as a purchase of Colonial common stock as shown above, 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 arising from transactions in publicly traded 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 Class Period, all purchases and sales shall be matched on a First In, First Out (“FIFO”) basis. Class Period sales will be matched first against any Colonial Securities held at the beginning of the Class Period, and then against purchases in chronological order, beginning with the earliest purchase made during the Class Period. Class Period Sales matched to Colonial Securities held at the beginning of the 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 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 purchase/acquisition of such securities unless: (i) the donor or decedent purchased or otherwise acquired such Colonial Securities during the 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 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 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 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.

No distribution to Authorized Claimants who would receive less than \$10.00 will be made, given the administrative expenses of processing and mailing such checks.

Distributions will be made to Authorized Claimants after all claims have been processed and after the Court has finally approved the Settlement and authorized a distribution. If there is any balance remaining in the Net Settlement Fund (whether by reason of tax refunds, uncashed checks or otherwise) after at least six (6) months from the date of distribution or redistribution of the Net Settlement Fund, Lead Counsel shall, if feasible and economical, reallocate such balance in an equitable and economic fashion among Authorized Claimants who have cashed their checks. Any balance that still remains in the Net Settlement Fund that is not feasible or economical to reallocate, after payment of Notice and Administration

Expenses, Taxes, and any additional Court-approved attorneys' fees and expenses, shall be contributed to non-sectarian, not-for-profit charitable organization(s) serving the public interest, designated by Lead Plaintiffs and approved by the Court.

Each claimant shall be deemed to have submitted to the jurisdiction of the Court 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 Class Period for the beneficial interest of a person or organization other than yourself, but you **DID NOT** previously provide such name and address information to the Claims Administrator or request copies of the Notice and Proof of Claim form (the "Notice Packet") in connection with the Colonial I Settlement, 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 the Class 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 the Notice Packet, 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 **DID** provide name and address information in connection with the Colonial I Settlement, that information will be used by the Claims Administrator. If you previously requested copies of the Notice Packet, you will be sent the same number of Notice Packets in this Settlement and you are required, within seven (7) calendar days of receipt of such copies, to send them by first-class mail directly to the beneficial owners of those Colonial Securities. **If you responded in connection with the Colonial I Settlement, you do not need to provide additional information unless you have identified additional beneficial owners.**

If you choose or chose to follow alternative procedure (b) described above, 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 must also retain the relevant name and address records for future use in the Settlement.

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
c/o Strategic Claims Services
600 North Jackson Street, Suite 3
Media, PA 19063
Tel: (866) 274-4004
Fax: (610) 565-7985

Dated: March 27, 2015

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