

**IN THE UNITED STATES DISTRICT COURT  
FOR THE MIDDLE DISTRICT OF ALABAMA**

**In re COLONIAL BANCGROUP, INC  
ERISA LITIGATION**

**CIVIL ACTION NO.:  
2:09cv792-MHT-WC**

**NOTICE OF CLASS ACTION SETTLEMENT, SETTLEMENT FAIRNESS HEARING, AND MOTION  
FOR ATTORNEYS' FEES AND REIMBURSEMENT OF ATTORNEY EXPENSES**

You have received this notice because records show that you, or someone who designated you as their retirement plan beneficiary, participated in the Colonial BancGroup 401(k) Plan (the "Plan"), and your Plan account included investments in Colonial Bancgroup, Inc. common stock ("Colonial Stock") at any time between April 18, 2007 and August 25, 2009 (the "Class Period"). As a result of a class action lawsuit over the propriety of this investment, you may be eligible to receive money in the proposed settlement (the "Settlement").

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

This notice advises you of the Settlement of *In re Colonial BancGroup, Inc. ERISA Litigation*, No. 2:09-cv-792 (M.D. Ala.) (the "Action"), a class action lawsuit brought by Plaintiffs Lora McKay, Leonor M. Torregroza, Linda Shockley, and Johnny Pompa on behalf of themselves, the Plan, and the Members of the Settlement Class described below against Lewis E. Beville, Augustus K. Clements (and his estate), Robert S. Craft, Patrick F. Dye, Hubert L. Harris, Jr., Clinton Holdbrooks, Deborah L. Linden, Robert E. Lowder, John Ed Mathison, Milton E. McGregor, Joseph D. Mussafer, William E. Powell, III, James W. Rane, Simuel S. Sippial, Jr., Edward V. Welch (and his estate), R. Thomas Burge, Michelle M. Condon, Kelli Gant, T. Brent Hicks, Patti G. Hill, Kamal S. Hosein, Sarah H. Moore, Angie S. Parker, Harlan C. Parrish, Rudi Thompson, and Andrew Wilson ("Defendants"). The Action was brought under the Employee Retirement Income Security Act of 1974 ("ERISA"). The Settlement would release Defendants and related parties from any claims filed against them in the Action. This notice contains summary information with respect to the Settlement. The terms and conditions of the Settlement are set forth in a Stipulation of Settlement (the "Stipulation"). Capitalized terms used in this notice but not defined in this notice have the meanings assigned to them in the Stipulation. The Stipulation and additional information with respect to the Action and the Settlement are available at [www.\\_\\_\\_\\_\\_.com](http://www._____.com) or by contacting Class Counsel as described below.

The Parties have agreed to settle this case for \$2,500,000 (the "Settlement Amount"). The Court has preliminarily approved the Settlement, which will provide for allocation of Settlement funds to Members of the Settlement Class whose Plan accounts included investments in Colonial Stock.

The Court has scheduled a hearing concerning final approval of the Settlement and Class Counsel's motion for attorneys' fees and expenses and for compensation to the Plaintiffs. That hearing, before the Honorable Myron H. Thompson, is scheduled on \_\_\_\_\_, 2012, at \_\_\_\_\_ in Courtroom \_\_\_\_ at the United States Courthouse, One Church Street, Montgomery, AL 36104. If final approval is granted, the Settlement will bind you as a Member of the Settlement Class. You may appear at this hearing and/or object to the Settlement. Any objections to the Settlement or the motion for attorneys' fees and expenses must be served in writing on the Court and the Parties' counsel. More information about the hearing and how to object is explained below.

**YOUR LEGAL RIGHTS WILL BE AFFECTED WHETHER OR NOT YOU TAKE ANY ACTION. READ THIS NOTICE CAREFULLY. PLEASE DO NOT CONTACT DEFENDANTS OR THE COURT. THEY WILL NOT BE ABLE TO ANSWER YOUR QUESTIONS.**

QUESTIONS? CALL (\_\_\_\_) \_\_\_\_-\_\_\_\_, OR VISIT [WWW.\\_\\_\\_\\_\\_.COM](http://WWW._____.COM)

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**YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT**

<b>You can do nothing.</b> (No action is necessary to receive payment.)	If the Settlement is approved by the Court and you are a Member of the Settlement Class, you do not need to do anything to receive a payment.
<b>You can submit an objection.</b> (It must be mailed by _____, 2012.)	If you wish to object to any part of the Settlement, you may write to the Court and Class Counsel and explain why, as described below.
<b>You can appear at the Fairness Hearing on _____.</b>	If you submit a written objection to the Settlement before the Court-approved deadline, you may (but do not have to) speak in Court about the fairness of the Settlement.

- These rights and options—**and the deadlines to exercise them**—are explained in this notice.
- Information concerning your individual share of the Net Settlement Fund will not be available for several months until after the Court grants final approval of the Settlement and any appeals are resolved. Thank you for your patience.

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## **SUMMARY OF CASE**

As described in more detail below and in Plaintiff's Complaint, this Action concerns allegations that Defendants breached fiduciary duties owed to participants in and beneficiaries of the Plan during the Class Period. Defendants deny the allegations. Copies of Plaintiff's Complaint and documents related to the Settlement are available at [www.\\_\\_\\_\\_\\_.com](http://www._____.com).

## **SUMMARY OF SETTLEMENT**

The Stipulation provides that Defendants will cause their fiduciary insurance carrier to pay \$2,500,000 in cash, which will be deposited into an account called the Settlement Fund. After payment of attorneys' fees and expenses, costs of notice, and any excess fees and expenses related to administration of the Settlement, the amount remaining in the account shall constitute the Net Settlement Fund and be allocated among Members of the Settlement Class according to a Plan of Allocation to be approved by the Court.

## **STATEMENT OF POTENTIAL OUTCOME OF THE ACTION**

Class Counsel believe that the claims against Defendants are well-grounded in law and fact and that breaches of fiduciary duty under ERISA occurred in this case. However, as with any litigated case, Members of the Settlement Class would face an uncertain outcome if the Action were to continue against Defendants. Continued litigation of the Action could result in a range of possible recoveries, including a judgment or verdict greater or less than the recovery under the Stipulation or no recovery at all. Class Counsel also have taken into account the limited availability of insurance

Class Counsel believe that this Settlement reflects a reasonable compromise in light of the range of possible outcomes. Class Counsel believe that the Settlement is preferable to continued litigation and is in the best interest of the Members of the Settlement Class because the Settlement provides certainty with respect to the amount of recovery and results in an immediate recovery.

Throughout this litigation, Defendants have denied and continue to deny the claims and contentions alleged by Plaintiffs. Nevertheless, Defendants have concluded that it is desirable that the Action be fully and finally settled as to them and the other Releasees on the terms and conditions set forth in the Stipulation of Settlement. The Court has not ruled in favor of either side. Both sides agreed to the Settlement to ensure a resolution and avoid the cost and risk of further litigation.

## **STATEMENT OF ATTORNEYS' FEES AND EXPENSES SOUGHT IN THE ACTION**

Class Counsel will submit a fee petition to the Court in which they will ask the Court to award them attorneys' fees not in excess of 30% of the amount recovered in the Settlement, plus reimbursement of costs and expenses. Fees and expenses awarded by the Court will be deducted from the Settlement Fund.

## **STATEMENT OF FEES AND EXPENSES INCURRED BY THE INDEPENDENT FIDUCIARY AND THE SETTLEMENT ADMINISTRATOR**

An Independent Fiduciary is evaluating the Settlement and will be asked to authorize the Settlement on behalf of the Plan. Defendants have paid or will pay the fees and expenses incurred by the Independent Fiduciary (including fees and expenses incurred by consultants, attorneys, and other professionals retained or employed by the Independent Fiduciary) in the course of evaluating and authorizing the Settlement on behalf of the Plan. In addition, a Settlement Administrator will be engaged to administer the Settlement and allocate the Net Settlement Fund among Members of the Settlement Class. In addition to the Settlement Amount, the Defendants will pay for the fees and expenses incurred by the Independent Fiduciary and the Settlement Administrator, up to a total amount of \$200,000. If the fees and expenses of the Independent Fiduciary and the Settlement Administrator exceed \$200,000, any excess fees and expenses will be paid from the Settlement Fund.

## BASIC INFORMATION

### Why did I receive this notice?

You have received this notice because you or someone in your family is or may have been a participant in or beneficiary of the Plan and, through the applicable Plan account, invested in Colonial Stock between April 18, 2007 and August 25, 2009. The Court ordered this notice be sent to you because you have a right to know about the Settlement and all of the options available to you regarding the Settlement before the Court decides whether to approve the Settlement. If the Court approves the Settlement, and after any objections and appeals are resolved, the Net Settlement Fund will be allocated among Members of the Settlement Class according to a Court-approved Plan of Allocation. This notice describes the litigation, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of this case is the United States District Court for the Middle District of Alabama. The individuals who sued are called “Plaintiffs,” and the people/entities they sued are called “Defendants.” The legal action that is the subject of this notice and the Settlement is titled *In re Colonial BancGroup, Inc. ERISA Litigation*, No. 2:09-cv-00792 (M.D. Ala.).

### What is the Action about?

The Action claims that Defendants were fiduciaries of the Plan and violated fiduciary duties under ERISA that they owed to Plan participants and beneficiaries. In the Complaint, Plaintiffs have asserted causes of action for the losses suffered by the Plan as the result of the alleged breaches of fiduciary duty by Defendants.

Portions of the accounts of participants in the Plan were invested in Colonial Stock. The Action alleges that the Plan’s fiduciaries, including certain former officers and directors of Colonial BancGroup, Inc., failed to act appropriately when the Plan’s holdings of Colonial Stock allegedly became an imprudent investment. Defendants deny any wrongdoing and/or that Colonial Stock was an imprudent investment option.

### Why is this case a class action?

In a class action, one or more plaintiffs called “Class Representatives” sue on behalf of a large number of people who have similar claims. All of the individuals on whose behalf the Class Representatives are suing are “Class Members.” One court resolves the issues for all Class Members. In its order setting the Fairness Hearing, the Court preliminarily certified the Settlement Class in the Action.

The Class Representatives in this Action, Lora McKay, Leonor M. Torregroza, Linda Shockley, and Johnny Pompa, were participants in the Plan during the Class Period and are referred to in this notice as the “Plaintiffs.”

### Why is there a settlement?

The Court has not reached any final decision in connection with Plaintiffs’ claims against Defendants. Instead, Plaintiffs and Defendants have agreed to a Settlement. In reaching the Settlement, they have avoided the cost, risks, time, and disruption of prolonged litigation and trial.

Class Counsel believe that the Settlement is the best option for the Settlement Class Members, as described above in the section entitled “Statement of Potential Outcome of the Action.”

### How do I know whether I am part of the Settlement?

The Court has conditionally certified that this Settlement shall proceed on behalf of everyone who, subject to certain exceptions identified below, fits the following description:

All persons who were participants in or beneficiaries of the Colonial BancGroup 401(k) Plan at any time between April 18, 2007 and August 25, 2009 and whose accounts included investments in Colonial Stock.

### **Are there exceptions to being included?**

All Plan participants described above are Members of the Settlement Class with the exception of Defendants, and any legal representatives, heirs, predecessors, and assigns of Defendants.

## **THE SETTLEMENT BENEFITS**

### **What does the Settlement provide?**

The Settlement provides that Defendants' fiduciary insurance carrier will deposit \$2,500,000 (the "Settlement Amount") into an account at a financial institution identified by Class Counsel, which shall constitute the Settlement Fund. The net amount of the Settlement Fund, after payment of Court-approved attorneys' fees and expenses and any fees and expenses incurred by the Independent Fiduciary and the Settlement Administrator over \$200,000, will be allocated to the Members of the Settlement Class according to a Plan of Allocation to be approved by the Court if and when the Court enters an order finally approving the Settlement.

### **How much will my payment be?**

If you qualify, you will receive a pro rata share of the Net Settlement Fund. The Settlement payment is a compromise. Accordingly, it does not compensate Plan participants for 100% of their losses.

Class Counsel will file a detailed Plan of Allocation in advance of the Fairness Hearing. The Plan of Allocation will describe the manner in which the Net Settlement Fund will be distributed to Members of the Settlement Class. In general terms, the Plan of Allocation will provide that each Member of the Settlement Class's share of the Net Settlement Fund will be calculated as follows:

Each Member of the Settlement Class will be assigned an "Alleged Net Loss Percentage," showing the percentage of his or her alleged net loss in relation to all other Class members' alleged net losses. Each Member of the Settlement Class's share of the Net Settlement Fund will be equal to the Net Settlement Fund multiplied by his or her Alleged Net Loss Percentage (the "Preliminary Dollar Recovery"). Those Members of the Settlement Class whose Preliminary Dollar Recovery is less than \$25.00 (the "De Minimis Amount") shall receive an allocation of zero from the Net Settlement Fund.

The Settlement Administrator will perform all calculations for you and determine your pro rata amount. The Settlement Administrator will have access to all available records, so you do not need to be concerned if you no longer have your Plan account statements. The Court will be asked to approve the Plan of Allocation, a copy of which will be available along with other settlement documents at [www.\\_\\_\\_\\_\\_.com](http://www._____.com) after it has been filed.

Your share of the Net Settlement Fund will be less than your actual losses. If you are entitled to a share of the Net Settlement Fund, you will receive a statement from the Settlement Administrator showing the amount of your share.

### **How can I get a payment?**

If the Settlement is given final approval, you will **not** have to do anything to get a payment from the Settlement.

If you are a Member of the Settlement Class and are authorized to receive a payment, your Settlement proceeds will be deposited into an account established by the Settlement Administrator, and you will be contacted with further information on how to access this account.

### **When would I get my payment?**

The balance of the Net Settlement Fund will be allocated to Members of the Settlement Class pursuant to the Plan of Allocation as soon as possible after final approval has been obtained for the Settlement (which includes exhaustion of any appeals). Any appeal of the final approval may take a year or more. Please be patient.

## **There will be no payments if the Settlement is terminated.**

The Stipulation may be terminated on several grounds, including: (1) if the Court does not approve the Settlement or materially modifies it; (2) if the Independent Fiduciary hired to evaluate the Settlement does not approve it; (3) if the Court's order approving the Settlement is reversed or modified on appeal; or (4) if the Bankruptcy Court does not approve the Settlement or materially modifies it. The Stipulation describes other conditions in which the Settlement may be terminated. In the event any of these conditions occur, there will be no settlement payment made, and the litigation will resume.

### **Can I opt out of the Settlement?**

No. In some class actions, class members have the opportunity to exclude themselves from the Settlement. This is sometimes referred to as "opting out" of the Settlement. Because of the legal issues involved in the Action, however, the class of Plan participants affected by this Settlement has been preliminarily certified as a mandatory class. This means you cannot opt out of the benefits of the Settlement in order to pursue your own claims or for any other reason. **Therefore, you will be bound by any judgments or orders that are entered in this Action, and if the Settlement is approved, you will be deemed to have released Defendants from any and all claims that were or could have been asserted in this case on your behalf or on behalf of the Plan or that are otherwise included in the release in the Settlement, other than your right to obtain the relief provided to you, if any, by the Settlement.**

Although you cannot opt out of the Settlement, you can object to the Settlement and ask the Court not to approve the Settlement, as described below.

## **THE LAWYERS REPRESENTING YOU**

### **Do I have a lawyer in the Action?**

The Court has preliminarily designated Whatley, Drake & Kallas, LLC, Keller Rohrback LLP, and Harwood Feffer LLP as Class Counsel for the Settlement Class. If you want to be represented by your own lawyer, you may hire one at your own expense.

### **How will the lawyers be paid?**

Class Counsel will file a petition for the award of attorneys' fees and expenses by \_\_\_\_\_, 2012, after which a copy will be posted on [www.\\_\\_\\_\\_\\_.com](http://www._____.com). You may also request a copy of the fee petition after \_\_\_\_\_, 2012, by calling \_\_\_-\_\_\_-\_\_\_ or by emailing Class Counsel at \_\_\_\_\_@\_\_\_\_\_.com. This petition will be considered at the Fairness Hearing. Defendants have agreed not to oppose the amount of attorneys' fees, costs, or expenses or any award to the Plaintiffs to the extent such fees, costs, expenses, and awards are consistent with the terms of the Stipulation. Class Counsel have agreed to limit their application for an award of attorneys' fees to not more than 30% of the Settlement Amount, plus out-of-pocket costs.

Plaintiffs will also request a case contribution award from the Settlement Fund to compensate them for the time and effort they spent assisting with the investigation and prosecution of the case. Class Counsel will request that the Court approve case contribution awards of \$5,000 for each of the four Plaintiffs.

You have the right to object to this aspect of the Settlement even if you approve of the other aspects of the Settlement.

## **OBJECTING TO THE SETTLEMENT OR THE ATTORNEYS' FEES**

You can tell the Court that you do not agree with the Settlement or some part of it.

### **How do I tell the Court that I object to the Settlement?**

If you are a Member of the Settlement Class, you can object to the Settlement if you do not agree with any part of it. You can give reasons why you think the Court should not approve the Settlement. The Court will consider your views. To object, you must send a letter or other written filing saying that you object to the Settlement. Be

sure to include the following case caption and notation: “*In re Colonial BancGroup, Inc. ERISA Litigation*, No. 2:09-cv-00792 (M.D. Ala.)” In addition, your objection must also include your name, address, telephone number, and signature and the reasons you object to the Settlement. **Mail the objection to each of the addresses listed below, postmarked no later than \_\_\_\_\_.** **You must mail your objection by this date. If you fail to do so, the Court will not consider your objections.** If you plan to speak at the Fairness Hearing, you must send a Notice of Intention to Appear along with your objection, as described below.

**Court**

Clerk of the U.S. District Court for  
the Middle District of Alabama  
One Church Street  
Montgomery, AL 36104

**Co-Lead Class Counsel**

Whatley Drake & Kallas, LLC  
Joe R. Whatley Jr.  
P.O. Box 10647  
Birmingham, AL 35202-0647

**Defense Counsel**

Alston & Bird, LLP  
H. Douglas Hinson  
One Atlantic Center  
1201 West Peachtree Street  
Atlanta, GA 30309-3424

**THE COURT’S FAIRNESS HEARING**

The Court will hold a hearing to decide whether to approve the Settlement. You may attend and you may ask to speak, but it is not necessary.

**When and where will the Court decide whether to approve the Settlement?**

The Court will hold a Fairness Hearing to decide whether to approve the Settlement as fair, reasonable, and adequate. You may attend the Fairness Hearing, and you may ask to speak, but you do not have to attend. The Court will hold the Fairness Hearing on \_\_\_\_\_ at \_\_\_\_\_ in \_\_\_\_\_ at the United States Courthouse, One Church Street, Montgomery, AL 36104. At that hearing, the Court will consider whether the Settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. After the Fairness Hearing, the Court will decide whether to approve the Settlement. The Court will also rule on the motions for attorneys’ fees and expenses.

**Do I have to come to the hearing?**

No, but you are welcome to come at your own expense. If you send an objection, you do not have to attend the Fairness Hearing to voice your objection in person. As long as you mail your written objection on time, the Court will consider it when determining whether to approve the Settlement as fair, reasonable, and adequate. You also may pay your own lawyer to attend the Fairness Hearing, but attendance is not necessary.

**May I speak at the hearing?**

If you are a Member of the Settlement Class, you may ask the Court for permission to speak at the Fairness Hearing. To do so, you must send a letter or other paper called a “Notice of Intention to Appear at Fairness Hearing in *In re Colonial BancGroup, Inc. ERISA Litigation*, No. 2:09-cv-00792 (M.D. Ala.)” Be sure to include your name, address, telephone number, and signature. Your Notice of Intention to Appear must be postmarked no later than \_\_\_\_\_ and be sent to the Clerk of the Court, Class Counsel, and Defendants’ counsel at the addresses listed above.

**IF YOU DO NOTHING**

**What happens if I do nothing at all?**

If you do nothing and you are a Member of the Settlement Class and the Settlement is approved, you will participate in the Settlement of the Action as described in this notice.

## GETTING MORE INFORMATION

### Are there more details about the Settlement?

This notice summarizes the proposed Settlement. The complete Settlement is set forth in the Stipulation of Settlement. You may obtain a copy of the Stipulation of Settlement by contacting Class Counsel as described below or by visiting [www.\\_\\_\\_\\_\\_.com](http://www._____.com).

### How do I get more information?

For more information regarding the Settlement, please visit [www.\\_\\_\\_\\_\\_.com](http://www._____.com). In addition, Class Counsel has established a toll-free phone number to receive your comments and questions: \_\_\_\_\_. Class Counsel may also be contacted via email at \_\_\_\_@\_\_\_\_\_.com.

DATED: \_\_\_\_\_.