

COLONIAL BANGROUP INC
Form S-4
October 05, 2007
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As filed with the Securities and Exchange Commission on October 5, 2007

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT

Under

THE SECURITIES ACT OF 1933

THE COLONIAL BANGROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State of Incorporation)

6021
(Primary Standard Industrial

63-0661573
(I.R.S. Employer

Classification Code Number)
100 Colonial Bank Blvd.

Identification No.)

Montgomery, Alabama 36117

(334) 676-5000

(Address of principal executive offices) (Telephone No.)

David B. Byrne, Jr.

Secretary and General Counsel

100 Colonial Bank Blvd.

Montgomery, Alabama 36117

(Name and address of agent for service)

Copies to:

Hugh C. Nickson, III, Esq.
Miller, Hamilton, Snider & Odom, L.L.C.
100 Colonial Bank Boulevard, Suite B101
Montgomery, Alabama 36117
Telephone: 334-834-5550
Facsimile: 334-265-4533

Richard B. Hadlow, Esq.
Holland & Knight LLP
100 North Tampa Street
Tampa, Florida 33602
Telephone: 813-227-6467
Facsimile: 813-229-0134

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective time of the proposed merger of Citrus & Chemical Bancorporation, Inc. (C&C) with and into the Registrant as described in the Agreement and Plan of Merger, dated as of July 17, 2007, attached as Exhibit A to the Proxy Statement and Prospectus forming a part of this Registration Statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Stock, par value \$2.50 per share	4,633,172	Not Applicable	\$ 72,537,178	\$ 2,226.89

- (1) This Registration Statement covers the maximum number of shares of common stock of the Registrant that may be issued in connection with the merger.
 (2) Estimated solely for purposes of calculating the registration fee and, pursuant to Rule 457(f)(2) under the Securities Act of 1933, as amended, and based upon the book value as of September 30, 2007 of \$12.29 per share of 50% of 5,902,130 shares of C&C, including 50% of 602,583 C&C shares subject to options.

The Registrant hereby amends this Registration Statement on each such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

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C&C LOGO

Citrus & Chemical Bancorporation, Inc.

600 North Broadway Avenue

Bartow, Florida 33830

October , 2007

Dear Shareholder:

You are cordially invited to attend a special meeting of Shareholders of Citrus & Chemical Bancorporation, Inc. (C&C), which will be held on November , 2007, at 10:00 a.m. local time. The special meeting will be held at C&C s executive offices located at 600 North Broadway Avenue, Bartow, Florida.

At the special meeting, Class B shareholders will be asked to consider and vote on approval of an Agreement and Plan of Merger (the Merger), dated as of July 17, 2007, between C&C and The Colonial BancGroup, Inc. (BancGroup). The agreement provides for us to merge with BancGroup. In the Merger, you will receive either 1.57 shares of BancGroup common stock or \$39.02 cash in exchange for each share of C&C common stock that you own. You will be allowed to make an election as to how much stock and how much cash you receive. However, under the terms of our agreement with BancGroup, it will not have to pay to C&C s shareholders more than an aggregate of **[\$102,875,195]** in cash and more than an aggregate of **[4,139,263]** shares of BancGroup common stock assuming **[5,272,947]** shares of C&C common stock are outstanding at the time of the completion of the Merger. Therefore, if C&C shareholders in the aggregate elect to receive too much cash or too much stock, the form of consideration that was excessively elected will be reduced, and will instead be paid in the form of consideration that was under-elected on a pro rata basis. Shareholders who do not make an election will be deemed to have elected to receive \$19.51 in cash and 0.785 shares of BancGroup common stock for each of their shares of C&C common stock, but are also subject to pro-ration if an excess election occurs. Your election form will be sent to you in a few business days in a separate package. Please take the time to complete and return the proxy card included in this package.

Please see the attached Proxy Statement-Prospectus for a detailed description of the terms of the Merger. Please refer to page of the Proxy Statement-Prospectus for a more complete description of the consideration you will receive at the completion of the Merger.

Your board of directors has unanimously approved the agreement as being in the best interests of the C&C shareholders and recommends that you vote in favor of the approval of the agreement.

Additional information regarding the special meeting, the Merger Agreement, the Merger, C&C and BancGroup is set forth in the attached Proxy Statement-Prospectus. This document also serves as the prospectus for the shares of BancGroup common stock to be issued in connection with the Merger. BancGroup s common stock is traded on the New York Stock Exchange under the symbol CNB. **WE ENCOURAGE YOU TO READ THE ENTIRE PROXY STATEMENT-PROSPECTUS CAREFULLY. IN PARTICULAR, YOU SHOULD CAREFULLY CONSIDER THE DISCUSSION IN THE SECTION ENTITLED COLONIAL BANCGROUP RISK FACTORS, BEGINNING ON PAGE 12 OF THE PROXY STATEMENT-PROSPECTUS.**

The affirmative vote of the holders of a majority of the outstanding Class B shares of C&C common stock is required to approve the agreement. Accordingly, your vote is important no matter how large or small your holdings may be. Whether or not you plan to attend the special meeting, you are urged to complete, sign and promptly return the enclosed proxy card to assure that your shares will be voted at the special meeting. If you attend the special meeting, you may vote in person if you wish, and your proxy will not be used.

If you wish to make an election as to the form of consideration that you will receive, you must also complete the election form, which will be mailed to you within the next five business days, and return it to BancGroup s transfer agent by 5:00 p.m. on November , 2007. If the transfer agent has not received your completed election form by this time, then you will be deemed to have elected to receive \$19.51 and 0.785 shares of BancGroup common stock for each of your shares of C&C common stock (subject to pro-ration if there is an excess election of either cash or BancGroup common stock).

Sincerely

/s/ Douglas G. Small

Douglas G. Small

President and CEO

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or passed upon the adequacy of this Proxy Statement-Prospectus. Any representation to the contrary is a criminal offense. These securities are not savings or deposit accounts, and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

This Proxy Statement-Prospectus is dated October , 2007 and is first being mailed to the shareholders of C&C on or about October , 2007.

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[C&C LOGO]

600 North Broadway Avenue

Bartow, Florida 33830

CITRUS & CHEMICAL BANCORPORATION, INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To Be Held on November 1, 2007, at 10:00 a.m.

NOTICE IS HEREBY GIVEN that the special meeting of shareholders of Citrus & Chemical Bancorporation, Inc. (C&C) will be held at the executive offices of C&C located at 600 North Broadway Avenue, Bartow, Florida, on November 1, 2007, at 10:00 a.m., local time, for the following purposes:

1. *Merger.* To consider and vote upon the authorization, adoption and approval of the Agreement and Plan of Merger, dated July 17, 2007, by and between The Colonial BancGroup, Inc. (BancGroup) and C&C. BancGroup will be the surviving corporation in the Merger. At the time of the Merger, each share of your C&C common stock will be converted into the right to receive a number of shares of BancGroup common stock and/or cash as determined in accordance with the terms of the Agreement and Plan of Merger, as described more fully in the accompanying Proxy Statement-Prospectus. The Agreement is attached to the Proxy Statement-Prospectus as Appendix A.

2. *Other Matters.* To transact such other business as may properly come before the Special Meeting or any adjournments or postponements thereof.

We have fixed the close of business on October 8, 2007, as the record date for the determination of shareholders entitled to notice of and to vote at the special meeting. Only our holders of record at the close of business on that date will be entitled to notice of and to vote at the special meeting or any adjournments or postponements thereof.

You are cordially invited to attend the special meeting, but whether or not you plan to attend, if you are a Class B shareholder, please complete and sign the enclosed form of proxy and mail it promptly in the enclosed envelope. The proxy may be revoked at any time by filing a written revocation with our secretary, by executing a later dated proxy and delivering it to our secretary, or by attending the special meeting and voting in person.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Douglas G. Small

Douglas G. Small

President and CEO

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This prospectus incorporates important business and financial information about BancGroup and C&C that is not included in or delivered with the prospectus. You may request this information at no cost by writing or telephoning BancGroup or C&C at the following:

David B. Byrne, Jr.

Judy Burdette

Corporate Secretary and General Counsel

Corporate Secretary

The Colonial BancGroup, Inc.

Citrus & Chemical Bancorporation, Inc.

100 Colonial Bank Boulevard

600 North Broadway Avenue

Montgomery, Alabama 36117

Bartow, Florida 33830

(334) 676-5000

(863) 519-2104

In order to obtain information prior to the special meeting, you must make your request by

, 2007.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: Who is Citrus & Chemical Bancorporation?

A: C&C is a Florida corporation and registered bank holding company under the Federal Reserve Act, as amended. C&C's principal asset is all of the capital stock of Citrus & Chemical Bank. At June 30, 2007, the Citrus & Chemical Bank had 10 full service banking offices located in Polk County, Florida. At June 30, 2007, C&C had total assets of \$876 million and shareholders' equity of \$61 million.

Q: Who is Colonial BancGroup?

A: Colonial BancGroup is a Delaware corporation organized in 1974 as a bank holding company under the Bank Holding Act of 1956, as amended. Through its wholly-owned subsidiary, Colonial Bank, N.A., Colonial BancGroup conducts a general commercial banking business in the states of Alabama, Florida, Georgia, Nevada and Texas. At June 30, 2007, Colonial BancGroup had assets of \$23.8 billion.

As of June 30, 2007, Colonial Bank, N.A. had a total of 321 branches, with 90 branches in Alabama, 182 branches in Florida, 19 branches in Georgia, 15 branches in Nevada and 15 branches in Texas. Colonial Bank, N.A. conducts a general commercial banking business in its respective service areas. Colonial Bank, N.A. offers a variety of demand, savings and time deposit products as well as extensions of credit through personal, commercial and mortgage loans within each of its market areas. Colonial Bank, N.A. also provides additional services to its markets through cash management services, electronic banking services, credit card and merchant services and financial planning services. Information about Colonial BancGroup, and its subsidiary bank, Colonial Bank, N.A., is available at its website at www.colonialbank.com. Colonial BancGroup common stock is traded on the New York Stock Exchange under the symbol CNB.

Q: What is being voted on at the Citrus & Chemical Bancorporation special meeting?

A: Class B Shareholders of C&C are being asked to approve the merger between C&C and BancGroup pursuant to the terms of the merger agreement between such parties dated as of July 17, 2007. Under the merger agreement, C&C will merge into Colonial BancGroup. When the merger becomes effective, C&C will cease to exist as a separate entity and you, as a shareholder of C&C, will be entitled to receive either 1.57 shares of Colonial BancGroup common stock or \$39.02 cash for each share of C&C common stock that you own (or some combination thereof). Under the terms of the merger agreement, Colonial BancGroup is not obligated to pay more than approximately **[\$102,875,195]** in cash and **[4,139,263]** shares of stock for the outstanding shares of C&C common stock (assuming **[5,272,947]** shares of C&C common stock are outstanding at the time of the completion of the merger). If C&C shareholders elect to receive more cash than Colonial BancGroup is required to pay, then C&C shareholders electing cash will have the amount of cash they will receive reduced and the amount of stock they will receive increased on a pro rata basis. Alternatively, if C&C shareholders elect to receive more stock than Colonial BancGroup is required to pay, then C&C shareholders electing stock will have the amount of stock they will receive reduced and the amount of cash they will receive increased on a pro rata basis.

Q: What should I do now?

A: Send in your proxy card. If you own Class B common stock, after reviewing this document, indicate on your proxy card how you want to vote, and sign, date, and mail it in the enclosed envelope as soon as possible to ensure that your shares will be represented at the special meeting.

If you sign, date, and send in your proxy and do not indicate how you want to vote, your proxy will be voted in favor of the merger agreement and the merger. If you do not sign and send in your proxy, and if you do not attend and cast your vote in person at the special meeting, it will have the effect of voting against the merger.

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Q: When will I receive my election form and what should I do when I receive it?

A: Send in your election form with your stock certificate(s). All shareholders (Class A and B) should receive their election forms in about five business days after the receipt of this Proxy Statement-Prospectus. You should complete, sign and date your election form and mail it in the envelope that will be provided. Your election form will be sent to Colonial BancGroup's transfer agent. It is not mandatory that you complete an election form, but if you do not complete and return it, your merger consideration for each of your shares of C&C common stock will be \$19.51 in cash and 0.785 shares of Colonial BancGroup common stock (subject to pro-ration if there is an excess election of either cash or Colonial BancGroup common stock). Even if you do not desire to make an election as to your desired form of consideration, we ask that you return your election form with your stock certificates as that will aid Colonial BancGroup's transfer agent in the exchange process. You may not make an election after, and any election you have made will be final at 5:00 p.m. on the business day before the special meeting.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Yes, if you give your broker instructions on how to do so. Your broker will vote your shares of C&C common stock only if you provide your broker with instructions on how to vote. You should instruct your broker how to vote your shares by following the directions your broker provides. If you do not provide instructions to your broker, your shares will not be voted and this will have the effect of voting against the merger agreement and the merger.

Q: If my shares are held in street name by my broker, will my broker complete my election form for me?

A: Yes, if you give your broker instructions on how to do so. Your broker will complete your election form only if you provide your broker with instructions on how to do so. You should instruct your broker how to complete your election form by following the directions your broker provides. If you do not provide instructions to your broker, your election form will not be completed and you will receive for each of your C&C shares \$19.51 and 0.785 shares of Colonial BancGroup common stock (subject to pro-ration if there is an excess election of either cash or Colonial BancGroup common stock).

Q: Can I change my mind and revoke my proxy?

A: Yes. You may revoke your proxy up to the time of the special meeting by taking any of the actions explained under "The Special Meeting Solicitation, Voting and Revocation of Proxies" on page _____ of this Proxy Statement-Prospectus, including by giving a written notice of revocation, by signing and delivering a new later-dated proxy, or by attending the special meeting and voting in person.

Q: Can I change my election form?

A: Yes. You may change your election up to 5:00 p.m. on November _____, 2007 by following the instructions under "Proposal 1: The Merger Election of Consideration" on page _____ of this Proxy Statement-Prospectus, including by giving a written notice of revocation or by signing and delivering a new later-dated election form. Extra copies of Election Forms may be obtained from Judy Burdette at (863) 519-2104.

Q: Can I vote my shares in person?

A: Yes. You may attend the special meeting and vote your shares in person rather than signing and mailing your proxy card.

Q: Should I send in my stock certificates now?

A: Do not return your certificates with your proxy card. After you receive your election form, you should complete and sign it and send in your stock certificates with the election form by following the instructions

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contained in the election form. If you make no election, after the merger is completed, Colonial BancGroup or its transfer agent will send you written instructions explaining how you exchange your C&C common stock certificates for certificates representing shares of Colonial BancGroup common stock.

Q: When do you expect the merger to be completed?

A: We expect the merger to be completed in December of 2007. However, the timing of the completion of the merger is dependent on the merger agreement being approved by our shareholders as well as the approval of certain bank regulatory agencies and the satisfaction of other conditions described in this Proxy Statement-Prospectus.

Q: Whom can I call with questions?

A: If you want additional copies of this document, or if you want to ask any questions about the merger agreement or the merger, you should contact: Douglas G. Small, President and CEO, Telephone: (863) 519-2103.

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SUMMARY

This summary highlights selected information from this Proxy Statement-Prospectus. It does not contain all of the information that will be important to you as you consider your vote. You should carefully read the entire document and the other documents to which we refer. These will give you a more detailed description of the transaction that we are proposing. For more information about Colonial BancGroup, see [Where You Can Find More Information and Information Incorporated by Reference](#) (page). Each item in this summary refers to the pages where that subject is discussed in greater detail elsewhere in the Proxy Statement-Prospectus. In this section, the terms [we](#) and [us](#) refer to Citrus & Chemical Bancorporation.

The Companies

100 Colonial Bank Boulevard

Montgomery, Alabama 36117

(334) 676-5000

The Colonial BancGroup, Inc. is a \$23.8 billion financial services company providing diversified services including retail and commercial banking, wealth management services, mortgage banking and insurance through its branch network, private banking offices or officers, ATMs and the internet as well as other distribution channels to consumers and businesses. At June 30, 2007, BancGroup's branch network consisted of 321 offices in Florida, Alabama, Georgia, Nevada and Texas.

[C&C LOGO]

Citrus & Chemical Bancorporation, Inc.

600 North Broadway Avenue

Bartow, Florida 33830

(863) 533-3171

Citrus & Chemical Bancorporation is a bank holding company whose wholly-owned subsidiary, Citrus & Chemical Bank, provides corporate and retail banking services principally in Polk County, Florida. As of June 30, 2007, Citrus & Chemical Bancorporation's total assets were about \$876 million, deposits were about \$727 million and shareholders' equity was about \$61 million.

Effective Date of the Merger (page)

Assuming all other conditions stated in the merger agreement have been or will be satisfied or waived as of the closing, the merger shall become effective as of the later of the date and time the certificate of merger is accepted for filing by the Secretary of State of the State of Delaware and the articles of merger are accepted for filing by the Secretary of State of the State of Florida.

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The Merger (page and Appendix A)

The merger agreement is the document that controls the anticipated merger between C&C and BancGroup. We encourage you to read the entire merger agreement, which is attached as Appendix A.

The merger agreement provides for the following:

C&C will merge into Colonial BancGroup. When the merger becomes effective, C&C will cease to exist as a separate entity and you, as a shareholder of C&C, will be entitled to receive either 1.57 shares of Colonial BancGroup common stock or \$39.02 cash for each share of C&C common stock that you own (or some combination thereof). Under the terms of the merger agreement, Colonial BancGroup is not obligated to pay more than **[\$102,875,195]** in cash and **[4,139,263]** shares of common stock for the outstanding shares of C&C common stock (assuming **[5,272,947]** shares of C&C common stock are outstanding at the time of the completion of the merger). If C&C shareholders elect to receive more cash than Colonial BancGroup is required to pay, then C&C shareholders electing cash will have the amount of cash they will receive reduced and the amount of common stock they will receive increased on a pro rata basis. Alternatively, if C&C shareholders elect to receive more common stock than Colonial BancGroup is required to pay, then C&C shareholders electing such common stock will have the amount of common stock they will receive reduced and the amount of cash they will receive increased on a pro rata basis.

As an example, if there are **[5,272,947]** shares of C&C common stock outstanding at the time of the completion of the merger (in which case Colonial BancGroup is not obligated to pay more than **[\$102,875,195]** of the total merger consideration in cash), and the C&C shareholders make an aggregate cash election of \$150,000,000, then that would be **[\$47,124,805]** more than Colonial BancGroup is required to pay in cash, and would represent approximately **[1,207,709]** shares of C&C common stock. The electing shareholders who had elected cash would have their cash portion of the merger consideration reduced on a pro rata basis and would instead receive an aggregate of **[1,896,103]** shares of Colonial BancGroup common stock. On an individual basis, each electing shareholder who had elected some portion of his or her merger consideration to be paid in cash would in fact receive cash for **[68.6%]** of the C&C common stock that he or she had originally elected to be paid in cash and the remaining **[31.4%]** of C&C common stock that the electing shareholder had requested cash for would be paid in Colonial BancGroup common stock.

Colonial BancGroup will not issue fractional shares in the merger. If the number of shares you are to receive is not a whole number, you will receive \$24.85 cash times the fraction of your Colonial BancGroup common stock that you would have otherwise received.

Effect on Stock Options (page)

As of the date of this Proxy Statement-Prospectus, C&C directors, executive officers and employees held outstanding options which entitle the holders thereof to acquire up to **[612,683]** shares of C&C common stock.

Each holder of C&C options granted under the C&C Stock Option Plans was given the alternative to exercise his or her vested C&C options or the right to receive a cash payment after the completion of the merger. The amount of such cash payment is equal to the number of shares of C&C common stock subject to each C&C option multiplied by the difference of \$39.02 and the per share exercise price of such C&C option, less any applicable withholding taxes. The directors have agreed to elect the foregoing cashless exercise alternative with respect to all of their C&C options.

Table of Contents**Comparative Market Prices (page)**

Colonial BancGroup's common stock is traded on the New York Stock Exchange under the symbol CNB. On July 17, 2007, the last trading day before we announced the signing of the merger agreement, the closing price of Colonial BancGroup's common stock was \$24.74.

C&C's common stock is not traded on any public market. Therefore, the value of the stock can only be determined from prices paid in transactions known to management of C&C. The price paid in the last known transaction on or before July 17, 2007 was \$25.18, which occurred on March 30, 2007.

The following table summarizes the comparative values of the two stocks just before the merger agreement was signed and the Colonial BancGroup equivalent price per share of C&C common stock.

BancGroup(1)	C&C(2)	Equivalent price per C&C share(3)
\$24.74	\$ 25.18	\$ 38.93

(1) Closing price on July 17, 2007.

(2) Price of last known transaction on or prior to July 17, 2007.

(3) If the merger had closed on July 17, 2007, and if you had received the default election, then you would have received 0.785 shares of Colonial BancGroup common stock and \$19.51 in cash for each share of C&C common stock you owned on that date.

Fairness Opinions (pages and and Appendices B and C)

In deciding to recommend the merger to shareholders, C&C's Board of Directors considered the opinion of its financial advisors, Hovde Financial, Inc. and FIG Partners, LLC, that, based upon and subject to the assumptions made and matters set forth in their written opinions, as of July 17, 2007, the consideration to be received by the shareholders of C&C in the merger is fair, from a financial point of view, to such shareholders. We have attached as Appendix B the written opinion of Hovde Financial, Inc., dated as of July 17, 2007, and as Appendix C the written opinion of FIG Partners, LLC, dated as of July 17, 2007. You should read each opinion carefully to understand the assumptions made, matters considered and limitations of the review undertaken by each financial advisor, in providing its respective opinion.

The Special Meeting (page)

We will hold a special meeting of the shareholders of C&C at 10:00 a.m. local time, on November __, 2007 at 600 North Broadway Avenue, Bartow, Florida 33830. At the meeting, we will ask the shareholders holding voting stock to approve the merger agreement and to act on any other matters that may be put to a vote at the meeting.

Our Recommendation to our Shareholders (page)

Based on C&C's reasons for the merger described herein, including the opinions of Hovde Financial, Inc. and FIG Partners, LLC, referred to above, your Board of Directors believes that the merger is fair to you and in your best interests, and unanimously recommends that you vote FOR the proposal to approve the merger agreement.

Record Date; Voting Power (page)

You may vote at the special meeting if you owned Class B C&C shares as of the close of business on October 8, 2007. You will have one vote for each share of voting common stock you owned on that date.

Table of Contents**Vote Required (page)**

If a quorum is present at the special meeting, then the affirmative vote of a majority of the outstanding voting shares will be sufficient to approve the merger agreement. A quorum consists of a majority of the Class B shares outstanding on the record date. On the record date, shares of C&C Class B common stock were outstanding. The directors, executive officers and the largest Class B shareholder of C&C own an aggregate of shares of C&C Class B common stock, representing approximately % of the outstanding shares. These individuals have agreed with Colonial BancGroup to vote their shares in favor of the merger agreement (unless their fiduciary duty compels them to do otherwise). Accordingly, if these individuals vote as they have agreed with Colonial BancGroup, then the merger agreement will be approved. As to other matters that may properly come before the special meeting, such matters shall be determined by a majority of the votes cast affirmatively or negatively, without regard to broker non-votes, as to that matter unless otherwise required by law.

Risk Factors (page)

In evaluating the merger and the merger agreement and before deciding how to vote your shares of C&C Class B common stock at the special meeting, you should read this Proxy Statement-Prospectus carefully and especially consider certain factors, risks and uncertainties discussed in the section entitled Colonial BancGroup Risk Factors beginning on page of this Proxy Statement-Prospectus.

Election Form (page)

In a few days you should receive an election form. You may use this form to elect what percentage of cash or Colonial BancGroup common stock you wish to receive for your shares of C&C common stock. If you do not return an election form by the deadline, then your merger consideration will be the default form of 0.785 shares of Colonial BancGroup common stock and \$19.51 in cash for each of your shares of C&C common stock (subject to pro-ration in the case of an over election of cash or common stock). The deadline by which election forms must be received by Colonial BancGroup's transfer agent, Continental Stock Transfer & Trust Company, is 5:00 p.m. on the business day prior to the special meeting. If you receive some portion of your merger consideration in cash, you will be taxed on any gain you realize on the cash that you receive (see Certain Federal Income Tax Consequences on page).

Colonial BancGroup is only obligated to pay a certain portion of the total consideration for the outstanding shares of C&C common stock in cash and a certain portion in common stock. Based on the [5,272,947] shares of C&C common stock that were outstanding as of the record date, Colonial BancGroup will pay approximately [\$102,875,195] in cash and [4,139,263] shares of Colonial BancGroup common stock. If C&C shareholders elect to receive too much cash, then all C&C shareholders electing cash will have their cash election reduced and their common stock election increased on a pro rata basis. Alternatively, if C&C shareholders elect to receive too much common stock, then all C&C shareholders electing common stock will have their common stock election reduced and their cash election increased on a pro rata basis. If you have not received an election form within five business days of receiving this Proxy Statement-Prospectus, or if you desire to receive another election form, please contact Judy Burdette at (863) 519-2104.

Exchange of Certificates (page 32)

Shortly after we complete the merger, Colonial BancGroup, or its transfer agent, will send you detailed instructions on how to exchange your shares. UNLESS YOU HAVE COMPLETED AN ELECTION FORM AND INCLUDED YOUR COMMON STOCK CERTIFICATES WITH YOUR ELECTION FORM IN ACCORDANCE WITH THE ELECTION FORM INSTRUCTIONS, PLEASE DO NOT SEND US OR BANGROUP ANY COMMON STOCK CERTIFICATES UNTIL YOU RECEIVE THOSE INSTRUCTIONS.

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Conditions to Completion of the Merger (page 34)

The completion of the merger depends on meeting a number of conditions, including the following:

the shareholders of C&C must approve the merger agreement;

all required regulatory approvals must be received, and any waiting periods must have passed;

there must be no governmental order blocking completion of the merger, and no proceedings by a government body trying to block the merger; and

the merger must be completed on or before April 19, 2008, or either party can terminate the merger agreement at will.

Unless prohibited by law, either C&C or Colonial BancGroup could elect to waive a condition that has not been satisfied and complete the merger anyway. We cannot be certain whether or when any of these conditions will be satisfied, or waived where permissible, or that we will complete the merger.

Termination of the Merger Agreement (page 35)

Colonial BancGroup and C&C can agree at any time to terminate the merger agreement before completing the merger, even if the shareholders of C&C have already voted to approve it.

Either company can also terminate the merger agreement:

if the other party has materially breached the merger agreement and has not cured the breach;

if the merger has not been completed by April 19, 2008, (provided that the failure to complete has not been caused by the breach by the company electing to terminate); or

if C&C enters into a binding agreement with any third party to merge with, or sell control to, that third party. In that event, Colonial BancGroup will have the right to receive a payment of \$8,000,000 from C&C or its acquirer.

Federal Income Tax Consequences (page 33)

We expect that neither the two companies nor the C&C shareholders will recognize any gain or loss for U.S. federal income tax purposes as a result of the merger, except in connection with any cash payment that a C&C shareholder may receive as merger consideration or for a fractional share. Colonial BancGroup has received an opinion from PricewaterhouseCoopers LLP that this will be the case. The tax opinion is based upon customary assumptions contained therein, including the assumption that consideration other than Colonial BancGroup common stock (including cash in lieu of fractional shares, cash consideration in exchange for outstanding options and cash paid to C&C shareholders that receive cash in the merger) will represent no more than 60% of the total fair market value of all consideration paid to C&C shareholders in the transaction. The opinion will not bind the Internal Revenue Service, which could take a different view. We expect that any cash received will generally be treated as capital gain for federal income tax purposes.

Determining the actual tax consequences to you as an individual taxpayer can be complicated. For example, the opinion referred to above does not address any tax issues arising under state, local or foreign law. The overall tax treatment applicable to you will depend on your specific situation and many variables not within our control. You should consult your own tax advisor for a full understanding of the merger's tax consequences to you.

Accounting Treatment (page 40)

The merger will be accounted for as a purchase. The purchase price will be allocated to the fair value of the net tangible and identifiable intangible assets acquired, with any amounts in excess thereof being assigned to

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goodwill. Goodwill will be recognized unless and until it is deemed to be impaired, in which case the impairment will be measured and any such amount will be charged against current earnings.

Interests of Persons Involved in the Merger that are Different from Yours (page 28)

Certain directors, executive officers and employees of C&C have interests in the merger that are different from your interests. These differing interests include the following:

Directors, executive officers and employees of C&C currently hold options to acquire [612,683] shares of C&C common stock. As of the date that the merger is completed, each holder of unexercised C&C stock options will exercise his or her C&C stock options for the right to receive a cash payment. The amount of such cash payment is equal to the aggregate of the number of shares of C&C common stock subject to each C&C stock option multiplied by the difference of \$39.02 and the per share exercise price of such C&C stock option, less any applicable withholding taxes.

C&C currently indemnifies its directors and certain officers, employees and agents against loss from claims arising out of their position with C&C. For the applicable statute of limitations period after the merger, Colonial BancGroup will, subject to some limitations, continue to indemnify those persons against claims that arise from the period when they worked for, or served as directors of, C&C or Citrus & Chemical Bank.

Upon completion of the merger, C&C employees will either become employees of Colonial BancGroup or one of its subsidiaries and become eligible for Colonial BancGroup's employee benefits, or they will be eligible to receive severance benefits under Colonial BancGroup's severance policy.

Douglas G. Small has an existing employment agreement with C&C Bank that provides a base compensation of \$450,000 per year. Mr. Small's employment agreement further provides that if C&C Bank experiences a Change in Control (which will occur at the completion of the merger), then Mr. Small will receive a lump sum payment equal to \$1,345,500 plus such amounts as are necessary to pay any state and federal excise taxes imposed upon Mr. Small by Section 4999 of the Internal Revenue Code. It is anticipated that Mr. Small's employment will be terminated following the completion of the merger, but pursuant to his employment agreement with C&C Bank, he will serve as a consultant to Colonial Bank and BancGroup for twelve months following the completion of the merger at an annual salary of \$450,000.

C&C's directors and the largest single shareholder have entered into affiliate agreements with Colonial BancGroup regarding various issues associated with the merger. These agreements provide that such person would, among other things:

agree to vote his or her shares for the merger unless otherwise required by their fiduciary duty;

not distribute Colonial BancGroup common stock issued in connection with the merger except in accordance with certain rules of the Securities and Exchange Commission;

support the business of Colonial Bank, N.A. after the merger;

if not also an employee of C&C, generally not compete with Colonial Bank, N.A. for a period of two years after the effective date of the merger; and

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D. Burke Kibler, III, the Chairman of the Board of C&C, is a partner in Holland & Knight LLP. C&C retained Holland & Knight LLP as special counsel in connection with this merger transaction with Colonial BancGroup.

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Dissenters' Rights (page 39)

C&C shareholders entitled to vote at the special meeting are entitled to exercise dissenters' rights of appraisal under Florida law. These rights entitle a voting shareholder to dissent from the transaction and, by strictly following the requirements fixed by law, to receive fair value for their stock. The fair value may ultimately be determined in a judicial proceeding, the result of which cannot be predicted with certainty. Dissenting shareholders who receive cash for their stock will likely be subject to federal income tax treatment that differs from that available to shareholders who receive BancGroup stock. The text of the applicable Florida statutes is set forth in Appendix D.

Where You Can Find More Information (page 59)

This document incorporates important business and financial information about Colonial BancGroup from documents that are not included in or delivered with this document. You can obtain documents regarding BancGroup incorporated by reference in this document (other than certain exhibits to those documents) by requesting them in writing or by telephone from Colonial BancGroup by contacting David B. Byrne, Jr., Corporate Secretary and General Counsel, 100 Colonial Bank Blvd., Montgomery, Alabama 36117, telephone: (334) 676-5000. You will not be charged for any of these documents. **If you would like to request a document, please do so by _____, 2007, in order to receive it before the special meeting.** You may also find documents regarding BancGroup filed or furnished at the Securities and Exchange Commission's website at www.sec.gov.

Precautionary Language Regarding the Merger Agreement

The merger agreement has been included to provide you with information regarding its terms. It is not intended to provide any other factual information about either Colonial BancGroup or C&C. Such information can be found elsewhere in this Proxy Statement-Prospectus and in the other public filings that Colonial BancGroup make with the Securities and Exchange Commission, which are available without charge at www.sec.gov.

The merger agreement contains representations and warranties that its parties made to each other. The assertions embodied in those representations and warranties are qualified by information in confidential disclosure schedules that the parties have exchanged in connection with signing the merger agreement. While Colonial BancGroup and C&C do not believe that such schedules contain information that the securities laws require to be publicly disclosed, other than information that has already been so disclosed, the disclosure schedules do contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the attached merger agreement. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts, since they may be materially modified by the underlying disclosure schedules. These disclosure schedules contain information that has been included in Colonial BancGroup's general prior public disclosures, as well as potential additional non-public information. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the merger agreement, which subsequent information may or may not be fully reflected in Colonial BancGroup's public disclosures.

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The following table sets forth selected financial data for the last five years as well as interim data for the current year:

	Three Months Ended June 30, 2007	Six Months Ended June 30, 2007	2006	2005	2004	2003	2002
	(In thousands, except per share amounts)						
Statement of Income:							
Interest income	\$ 383,874	\$ 760,753	\$ 1,455,585	\$ 1,162,055	\$ 848,017	\$ 780,808	\$ 783,431
Interest expense	193,657	390,591	700,318	452,833	280,769	285,660	328,222
Net interest income	190,217	370,162	755,267	709,222	567,248	495,148	455,209
Provision for loan losses	6,105	8,355	22,142	&n			