

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

_____)	
In the Matter of)	
)	
COLONIAL BANK)	
MONTGOMERY, ALABAMA)	NOTICE OF CHARGES
)	AND OF HEARING
)	FDIC-09-402c & b
)	
(INSURED STATE NONMEMBER BANK))	
_____)	

The Federal Deposit Insurance Corporation (“FDIC”), having reasonable cause to believe that Colonial Bank, Montgomery, Alabama (“Bank”), has engaged in unsafe or unsound banking practice , unless restrained, will continue to engage in such practices and/or violations in conducting the business of the Bank, hereby institutes this proceeding for the purpose of determining whether an appropriate order should be issued against the Bank under the provisions of section 8(b)(1) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b)(1). The FDIC hereby issues this NOTICE OF CHARGES AND OF HEARING ("NOTICE") pursuant to the provisions of the Act and the FDIC Rules of Practice and Procedure, 12 C.F.R. Part 308, and alleges as follows:

Jurisdiction and Definitions

1. The Bank is a corporation existing and doing business under the laws of the State of Alabama and has its principal place of business at Montgomery, Alabama. At all times pertinent to this proceeding, the Bank is and has been a State nonmember bank within the meaning of section 3(e)(2) of the Act, 12 U.S.C. § 1813(e)(2), an insured depository institution

within the meaning of section 3(c)(2) of the Act, 12 U.S.C. § 1813(c)(2), and subject to the Act, 12 U.S.C. §§ 1811-1831aa, the Rules and Regulations of the FDIC, 12 C.F.R. Chapter III ("Rules"), and the laws of the State of Alabama. The FDIC has jurisdiction over the Bank and the subject matter of this proceeding.

Unsafe or Unsound Practices

2. The Bank has engaged in unsafe or unsound banking practices in that the Bank has failed to maintain books and records, which would enable the FDIC and the Superintendent for the Alabama State Banking Department ("DEPARTMENT") (collectively, "Supervisory Authorities"), through the normal supervisory process, to determine the financial condition of the Bank and to determine the details or purposes of numerous transactions that have, or are likely to have, a material effect on the condition of the Bank as evidenced by the following:

3. The Bank is wholly owned by Colonial BancGroup, Inc. ("CBG"), Montgomery, Alabama, a one-bank holding company.

4. (a) Taylor Bean & Whitaker Mortgage Corp. ("TBW"), as the lead for a consortium of investors, signed a definitive agreement on March 31, 2009, to invest \$300 million into the Bank. The agreement was contingent upon a number of events, including final approval and confirmation that the Bank would receive assistance under the Treasury Department's Troubled Asset Relief Program ("TARP"); receipt of all required regulatory approvals; satisfactory resolution of the Federal Reserve Board's Regulation W requirements, 12 C.F.R. Part 223; and the obtaining of necessary financing by the investors.

(b) On August 3, 2009, Federal agents raided the Florida offices of the Bank and wholesale mortgage lender TBW. The Special Inspector General of TARP and the Federal Bureau of Investigation ("FBI"), accompanied by local police departments, served sealed

warrants at the Bank's mortgage warehouse operational center and at TBW's headquarters in conjunction with the FBI and the inspector general for the Department of Housing and Urban Development. The investigation is ongoing.

(c) On August 7, 2009, CBG announced that on August 6, 2009, it was informed by the U.S. Department of Justice that it is the target of a federal criminal investigation relating to Bank's mortgage warehouse lending and related alleged accounting irregularities. CBG has been informed that the alleged accounting irregularities relate to more than one year's audited financial statements and regulatory financial reporting.

(d) On August 7, 2009, CBG disclosed that the Securities and Exchange Commission had issued subpoenas to it seeking documents related to, among other things, CBG's disclosures related to its participation in the TARP and CBG's disclosures respecting accounting for loan loss reserves.

(e) On August 5, 2009, TBW closed its mortgage business after the Federal Housing Administration suspended TBW's lending authority. TBW was a large depositor of the Bank, with \$900 million in mortgage escrow deposits.

5. By reason of the allegations in paragraph 5, the Bank has engaged in or is at risk of engaging in unsafe or unsound banking practices including, without limitation, of the following:

(a) engaging in transactions with CBG or TBW or any of its affiliates or related entities which may have a material detrimental effect on the Bank;

(b) failing to maintain books and records which would enable the FDIC and the Superintendent of Banks ("Superintendent"), (collectively the "Supervisory Authorities") through the normal supervisory process, to determine the financial condition of the Bank and to

determine the details or purposes of numerous transactions that have a material effect on the condition of the Bank.

Proceeding

6. Notice is hereby given that a hearing will be held in Atlanta, Georgia, commencing 60 days from the date of service of this NOTICE on the Bank, for the purpose of taking evidence on the charges herein before specified in order to determine: Whether an appropriate Order should be issued under the Act requiring the Bank: (1) to cease and desist from unsafe or unsound banking practices herein specified; and/or (2) to take affirmative action, including restitution, to correct the conditions resulting from such practices.

7. The hearing will be held before an Administrative Law Judge to be assigned by the Office of Financial Institution Adjudication pursuant to 5 U.S.C. § 3105. The hearing will be public, and in all respects will be conducted in compliance with the provisions of the Act and the FDIC Rules of Practice and Procedure.

8. The Bank is hereby directed to file an Answer to this NOTICE within 20 days from the date of service of this NOTICE on the Bank, as provided by section 308.19 of the FDIC Rules of Practice and Procedure, 12 C.F.R. § 308.19. The original and one copy of all papers to be filed or served in this proceeding shall be filed with the Office of Financial Institution Adjudication, 3501 N. Fairfax Drive, Suite VS-D8116, Arlington, VA 22226-3500, pursuant to section 308.10 of the FDIC Rules of Practice and Procedure, 12 C.F.R. § 308.10. The Bank is encouraged to file any Answer electronically with the Office of Financial Adjudication at ofia@fdic.gov.

9. Copies of all papers filed or served in this proceeding shall be served upon the Executive Secretary Section, Federal Deposit Insurance Corporation, 550 17th Street, N.W.,

Washington, D.C. 20429-9990; A. T. Dill, III, Assistant General Counsel, Legal Division, Enforcement Section, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Washington, D.C. 20429-9990; and upon Andrea Fulton Toliver, Regional Counsel (Supervision), Federal Deposit Insurance Corporation, Atlanta Regional Office, 10 Tenth Street, N.E., Suite 800, Atlanta, Georgia 30309-3906.

Pursuant to delegated authority.

Dated at Washington, D.C., this 11th day of August, 2009.

_____/s/_____
Serena L. Owens
Associate Director
Division of Supervision and
Consumer Protection