

COLONIAL BANCGROUP INC

Form 424B5

August 21, 2003

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FILED PURSUANT TO

RULE 424 (B) (5)

REGISTRATION NO: 333-107697

2 North Tamiami Trail, Suite 100

Sarasota, Florida 34236-5541

August 21, 2003

Dear Shareholder:

You are cordially invited to attend the Special Meeting of Shareholders of Sarasota Bancorporation, Inc., which will be held on September 23, 2003, at 5:00 p.m. local time. The special meeting will be held at the Michael's on East restaurant, located at 1212 East Avenue South, Sarasota, Florida 34232.

At the special meeting, you will be asked to consider and vote on approval of an Agreement and Plan of Merger, dated as of June 25, 2003, between Sarasota and The Colonial BancGroup, Inc. The agreement provides for us to merge with BancGroup. In the merger, you will receive \$62.11 worth of shares of BancGroup common stock in exchange for each share of Sarasota common stock held by you, unless the market value of a share of BancGroup common stock is less than \$13.31, in which case you will receive 4.664 shares of BancGroup common stock, plus enough cash so that the total value received for each of your Sarasota shares is equivalent to \$62.11. If the merger had been completed on August 12, 2003, the market value of BancGroup common stock would have been \$14.66, and you would have received 4.2367 shares of BancGroup common stock for each of your Sarasota shares. Please refer to page 25 of the Proxy Statement-Prospectus for a more complete description of the consideration you will receive at the completion of the merger. The number of shares of BancGroup common stock you will receive is based upon the market value of BancGroup common stock during the trading period shortly before the merger. Cash will be paid for any fractional shares.

Please see the attached Proxy Statement-Prospectus for a complete description of the terms of the merger and the formula for converting shares of Sarasota common stock into shares of BancGroup common stock in the merger.

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

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Additional information regarding the agreement, the merger, Sarasota and BancGroup is set forth in the attached proxy statement. This document also serves as the prospectus for the shares of BancGroup common stock to be issued in connection with the merger. Please read these materials and carefully consider the information contained in them.

The affirmative vote of the holders of a majority of the outstanding shares of Sarasota 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.

Sincerely,

CHRISTINE L. JENNINGS

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 August 21, 2003 and is first being mailed to the shareholders of Sarasota on or about August 21, 2003.

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2 North Tamiami Trail, Suite 100

Sarasota, Florida 34236-5541

SARASOTA BANCORPORATION, INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To Be Held on September 23, 2003, at 5:00 p.m.

NOTICE IS HEREBY GIVEN that a special meeting of shareholders of Sarasota BanCorporation, Inc. will be held at the Michael's on East restaurant located at 1212 East Avenue South, Sarasota, Florida 34232, on September 23, 2003, at 5:00 p.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 June 25, 2003, by and between The Colonial BancGroup, Inc. and Sarasota BanCorporation, Inc. Colonial BancGroup will be the surviving corporation in the merger. At the time of the merger, each share of your Sarasota common stock will be converted into the right to receive a number of shares of Colonial BancGroup common stock as determined in accordance with the terms of the Agreement and Plan of Merger, with cash paid in lieu of fractional shares at the market value of such fractional shares, 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 August 18, 2003, 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 entitled to assert dissenters' rights pursuant to the Florida Business Corporation Act. A copy of the dissenters' rights provisions is attached to the enclosed Proxy Statement-Prospectus as Appendix B.

You are cordially invited to attend the Special Meeting, but whether or not you plan to attend, 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 president, by executing a later dated proxy and delivering it to our president, or by attending the Special Meeting and voting in person.

BY ORDER OF THE BOARD OF DIRECTORS

CHRISTINE L. JENNINGS

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

William A. McCrary
General Counsel
The Colonial BancGroup, Inc.
Colonial Financial Center
One Commerce Street
Fifth Floor
Montgomery, Alabama 36104
(334) 240-5000

Christine L. Jennings
President and Chief Executive Officer
Sarasota Bancorporation, Inc.
2 North Tamiami Trail
Suite 100
Sarasota, Florida 34236
(941) 955-2626

In order to obtain information prior to the Special Meeting, you must make your request by September 9, 2003.

A separately bound addendum accompanies this Proxy Statement-Prospectus that includes the following documents:

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*Sarasota's Annual Report on Form 10-KSB for the year ended December 31, 2002; and
Sarasota's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2003.*

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: What should I do now?

A: Send in your proxy card. 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.

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 Sarasota 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: 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 General on page 11 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 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: No. After the merger is completed, BancGroup or its transfer agent will send you written instructions explaining how you exchange your Sarasota common stock certificates for certificates representing shares of BancGroup common stock.

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

A: We expect the merger to be completed in the fourth quarter of 2003. 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: Christine L. Jennings, President and CEO of Sarasota BanCorporation, Inc., Telephone: (941) 955-2626.

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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 BancGroup, see *Where You Can Find More Information* (page 57). 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 Sarasota.

The Companies

One Commerce Street

Post Office Box 1108

Montgomery, Alabama 36101

(334) 240-5000

BancGroup is a financial holding company whose wholly-owned subsidiary, Colonial Bank, N.A., provides corporate and retail banking services and products in Alabama, Florida, Georgia, Tennessee, Texas and Nevada. As of June 30, 2003, BancGroup's total assets were about \$16.2 billion, deposits were about \$9.1 billion and shareholders' equity was about \$1.1 billion.

2 North Tamiami Trail, Suite 100

Sarasota, Florida 34236-5541

(941) 955-2626

Sarasota is a bank holding company whose wholly-owned subsidiary, Sarasota Bank, provides corporate and retail banking services principally in Sarasota County, Florida and surrounding areas. As of June 30, 2003, Sarasota's total assets were about \$168.3 million, deposits were about \$135.8 million and shareholders' equity was about \$12.7 million.

The Merger (page 14)

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

The merger agreement provides for the following:

Sarasota will merge into BancGroup. When the merger becomes effective, Sarasota will cease to exist as a separate entity and you, as a shareholder of Sarasota, will be entitled to receive shares of BancGroup common stock. The amount of BancGroup stock that you will receive will be determined as follows:

if the market value (an average of closing prices for BancGroup stock during a fixed period before the merger) of BancGroup stock is \$13.31 or greater, then you will receive a number of shares of

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BancGroup stock equal to \$62.11 divided by the market value of BancGroup stock for each share of Sarasota common stock you own just before the merger. The number of shares of BancGroup common stock that you will receive can also be represented by the following formula:

$$\frac{\$62.11}{\text{market value of BancGroup stock}} \times \text{the number of Sarasota shares you own just before the merger;}$$

if the market value of BancGroup stock is less than \$13.31, you will receive 4.6664 shares of BancGroup stock and a cash payment of \$13.31 minus the market value of BancGroup stock for each share of Sarasota common stock you own just prior to the merger times 4.6664. The merger consideration that you will receive can also be represented by the following formula:

$(4.6664 \text{ shares of BancGroup stock}) \times \text{the number of Sarasota shares you own just before the merger, plus a cash payment of } [(\$13.31 - \text{market value}) \times 4.6664] \times \text{the number of Sarasota shares you own just before the merger.}$

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 cash instead of the fractional share based on the market value of BancGroup common stock.

If the merger is not completed prior to the record date for BancGroup's regular quarterly cash dividend that is anticipated to be declared on October 15, 2003, with a record date of October 24, 2003, if such dividend is actually declared, then after the completion of the merger, each Sarasota shareholder will receive a cash payment equal to the per share amount of such dividend multiplied by the number of shares of BancGroup common stock that such shareholder receives after the completion of the merger.

Comparative Market Prices (page 37)

BancGroup's common stock is traded on the New York Stock Exchange. On June 25, 2003, the last trading day before we announced the signing of the merger agreement, the closing price of BancGroup's common stock was \$13.93. The average closing price for BancGroup's common stock for the ten trading days ending five trading days before August 12, 2003 was \$14.66.

There is no organized trading market for Sarasota's common stock. Therefore, the value of the stock can only be determined from prices paid in privately negotiated transactions known to management of Sarasota. These transactions are not reported on an exchange or other organized trading system. For these reasons, Sarasota lacks reliable data regarding recent trading activity in Sarasota common stock. The price paid in the last known transaction before June 25, 2003, the date we signed the merger agreement, was \$22.00 per share, on March 19, 2003.

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

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	Equivalent price per	
	Sarasota	
BancGroup(1)	share(3)	
<u>\$13.93</u>	<u>\$22.00</u>	<u>\$62.11</u>

(1) Closing price on June 25, 2003.

(2) Price obtained for shares sold on March 19, 2003.

(3) If the merger had closed on June 25, 2003, and if the market value, as determined by the merger agreement, of BancGroup common stock had been equal to \$13.93, you would have received 4.4587 shares of BancGroup common stock for each share of Sarasota common stock you owned on that date.

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Our Reasons for the Merger (page 15)

We believe that the merger is in your best interest. We considered a number of factors in deciding to approve and recommend the terms of the merger agreement to you. These factors included the following:

the overall terms of the proposed transaction;

the financial condition, results of operations, and future prospects of BancGroup;

our financial condition, results of operations, and future prospects;

the value of the consideration to be received by you relative to the book value, earnings and dividends per share of our common stock;

the competitive and regulatory environment for community banks generally;

the fact that the merger will enable you to exchange your shares of Sarasota common stock (for which there is no established public trading market) for shares of common stock of a larger and more diversified entity, the stock of which is widely held and actively traded;

that the merger will enable you to hold stock in a financial institution that has historically paid cash dividends to its shareholders for over 15 years;

the likelihood that we and BancGroup will receive the requisite regulatory approvals to perform the merger; and

the fact that we expect that the receipt of BancGroup stock (but not cash) in the merger will be a tax-free transaction for federal income tax purposes.

We also took into account an opinion received from Keefe, Bruyette & Woods, Inc. that, based upon and subject to the assumptions made and matters set forth in the written opinion, as of June 25, 2003, the consideration to be received by the shareholders of Sarasota in the merger is fair, from a financial point of view, to such shareholders. In our deliberations, we did not assign any relative or specific weight to any of the factors that are discussed above, and individual members of our board of directors may have given different weights to different factors as they were discussed. In addition, the discussion of the information above and factors we considered is not intended to be exhaustive of the factors considered.

The Special Meeting (page 11)

We will hold a special meeting of the shareholders of Sarasota at 5:00 p.m. local time, on Tuesday, September 23, 2003 at the Michael's on East restaurant located at 1212 East Avenue South, Sarasota, Florida 34232. At the meeting, we will ask the shareholders 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 23)

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 11)

You may vote at the special meeting if you owned Sarasota shares as of the close of business on August 18, 2003. You will have one vote for each share of stock you owned on that date.

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Vote Required (page 11)

If a quorum is present at the special meeting, then the affirmative vote of a majority of the outstanding shares will be sufficient to approve the merger agreement. A quorum consists of a majority of the shares outstanding on the record date. On the record date, 589,000 shares of Sarasota common stock were outstanding. The directors of Sarasota own an aggregate of 236,189 shares of Sarasota common stock representing approximately 40.1% of the outstanding shares. These individuals have agreed with BancGroup to vote their shares in favor of the merger agreement. Accordingly, if these individuals vote as they have agreed with BancGroup, then the merger agreement will be approved if holders of 58,312 of the remaining outstanding shares, representing 9.9% of the total outstanding, also vote to approve the merger agreement.

Exchange of Certificates (page 26)

Shortly after we complete the merger, BancGroup, or its transfer agent will send you detailed instructions on how to exchange your shares. PLEASE DO NOT SEND US OR BANCGROUP ANY STOCK CERTIFICATES UNTIL YOU RECEIVE THOSE INSTRUCTIONS.

Conditions to Completion of the Merger (page 28)

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

the shareholders of Sarasota 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;

the completion of the merger before March 31, 2004; and

the receipt of certain professional opinions.

Unless prohibited by law, either Sarasota or 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 29)

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BancGroup and Sarasota can agree at any time to terminate the merger agreement before completing the merger, even if the shareholders of Sarasota 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 March 31, 2004, (provided that the failure to complete has not been caused by the breach of the company electing to terminate); or

if Sarasota enters into a binding agreement with any third party to merge with, or sell control to, that third party. In that event, BancGroup will have the right to receive a payment of \$2,500,000 from Sarasota or its acquirer.

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Federal Income Tax Consequences (page 26)

We expect that neither the two companies nor the Sarasota 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 Sarasota shareholder may receive if the market value is less than \$13.31 at the time of the merger, for a fractional share, or in connection with additional contingent consideration that Sarasota shareholders may receive if the merger is completed after October 24, 2003. BancGroup has received an opinion from PricewaterhouseCoopers LLP that this will be the case. The opinion will not bind the Internal Revenue Service, which could take a different view. We expect that any cash received if BancGroup's market value is below \$13.31 will be treated as capital gain for federal income tax purposes.

This non-recognition of gain or loss tax treatment will not apply to any cash received in connection with the merger or to a Sarasota shareholder who chooses to dissent from the transaction and receive cash instead of BancGroup stock for such shareholder's Sarasota stock as provided under Florida law. The procedures for exercising dissenters' rights are discussed at page 33.

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 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 35)

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 goodwill. Goodwill will be capitalized 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 23)

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

Employees of Sarasota currently hold options to acquire 64,216 shares of Sarasota common stock. BancGroup and each holder of Sarasota stock options have agreed that such holder will exchange his or her Sarasota stock options for the right to receive a cash payment equal to \$62.11 multiplied by the number of shares of Sarasota common stock that would have been issuable in connection with the exercise of the Sarasota stock options less the aggregate exercise price for the Sarasota stock options.

Sarasota currently indemnifies its directors and certain officers, employees and agents against loss from claims arising out of their position with Sarasota. For a period of six years after the merger, 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, Sarasota.

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

Pursuant to their currently existing employment agreements with Sarasota, Christine L. Jennings and Paul D. Thatcher are expected to receive cash payments of \$450,000 and \$161,460, respectively, at the closing of the merger.

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Christine L. Jennings has entered into an employment agreement with BancGroup that will become effective when and if the merger is completed. The agreement provides for a term of two years, and a base compensation of approximately \$175,000. The agreement also provides that Ms. Jennings will receive a transition fee of \$48,000 so long as she is employed by Colonial Bank, N.A. one year after the completion of the merger. The employment agreement also contains provisions that will pay certain civic or social club fees for Ms. Jennings and a car allowance of \$700 per month. The employment agreement also provides that Ms. Jennings will be eligible to receive options to purchase 10,000 shares of BancGroup common stock. The employment agreement also contains a covenant prohibiting Ms. Jennings from soliciting BancGroup's customers and employees for two years following termination of employment.

Paul D. Thatcher has entered into an employment agreement with BancGroup that will become effective when and if the merger is completed. The agreement provides for a term of one year, and a base compensation of approximately \$107,640. The employment agreement also provides for a car allowance of \$500 per month. The employment agreement also provides that Mr. Thatcher will be eligible to receive options to purchase 2,500 shares of BancGroup common stock. The employment agreement also contains a covenant prohibiting Mr. Thatcher from soliciting BancGroup's customers and employees for two years following termination of employment.

As an inducement to stay employed with Sarasota Bank at least until the closing of the Merger, certain employees of Sarasota Bank may be paid a bonus on the effective date of the merger. The aggregate amount of such bonuses will not exceed \$100,000.

Sarasota's directors have entered into affiliate agreements with BancGroup regarding various issues associated with the merger. These agreements provide that the director would, among other things:

agree to vote his or her shares for the merger;

not distribute BancGroup common stock issued in connection with the merger except in accordance with certain rules of the SEC; and

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

Additionally, Sarasota's directors who are not also employees of Sarasota agreed generally not to compete with Colonial Bank, N.A. for a period of two years after the effective date of the Merger and will be entitled to receive cash payments ranging from \$10,000 to \$55,000 for these non-compete agreements. The aggregate amount of such payments is \$400,000.

Fairness Opinion (page 16)

In deciding to approve the merger, your Board of Directors considered the opinion of its financial advisor, Keefe, Bruyette & Woods, Inc., that, based upon and subject to the assumptions made and matters set forth in the written opinion, as of June 25, 2003, the consideration to be received by the shareholders of Sarasota in the merger, is fair, from a financial point of view, to such shareholders. We have attached as Appendix C the written opinion of Keefe, Bruyette & Woods, Inc. dated as of June 25, 2003. You should read it carefully to understand the assumptions made, matters considered and limitations of the review undertaken by Keefe, Bruyette & Woods, Inc. in providing its opinion.

Dissenters' Rights (page 33)

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Sarasota shareholders entitled to vote at the special meeting are entitled to exercise dissenters' rights of appraisal under Florida law. These rights entitle a shareholder to dissent from the transaction and, by strictly following the requirements fixed by law, 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

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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 B.

Where You Can Find More Information (page 57)

This document incorporates important business and financial information about BancGroup and Sarasota 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 BancGroup by contacting William A. McCrary, General Counsel, Post Office Box 1108, Montgomery, Alabama 36101-1108, telephone: (334) 240-5315. You can obtain documents regarding Sarasota by requesting them in writing or by telephone from Sarasota by contacting Christine L. Jennings, President and Chief Executive Officer, 2 North Tamiami Trail, Suite 100, Sarasota, Florida 34236-5541, telephone: (941) 955-2626. You will not be charged for any of these documents. **If you would like to request a document, please do so by September 9, 2003, in order to receive them before the special meeting.** You may also find documents regarding BancGroup and Sarasota filed or furnished at the Security and Exchange Commission's website at www.sec.gov.

Recent Developments BancGroup

The following table presents certain consolidated financial data for BancGroup for the periods ended June 30, 2003, June 30, 2002, December 31, 2001 and December 31, 2002, which have been derived from BancGroup's financial statements. The unaudited historical data reflect, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary for a fair statement of such data and is presented for informational purposes only.

The Colonial Bancgroup, Inc. and Subsidiaries**Financial Highlights Unaudited**

	June 30, 2003	June 30, 2002	December 31, 2002	% Change June 30, 02 to 03	% Change Dec. 31, 02 to June 30, 03
(Dollars in millions, except per share amounts)					
Statement of Condition Summary					
Total assets	\$ 16,208	\$ 13,673	\$ 15,822	19%	2%
Loans	11,769	10,370	11,692	13%	1%
Total earnings assets	15,032	12,764	14,716	18%	2%
Deposits	9,141	8,654	9,320	6%	-2%
Long term debt	1,774	1,872	1,999	-5%	-11%
Shareholders' equity	1,122	961	1,071	17%	5%
Book value per share	\$ 9.03	\$ 8.13	\$ 8.66	11%	4%

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	Six months ended		%	Year ended		%
	June 30,		Change	December 31,		Change
	2003	2002	June 30, 02 to 03	2002	2001	Dec. 31, 01 to 02
(Dollars in thousands, except per share amounts)						
Earnings Summary:						
Net interest income	\$ 246,251	\$ 225,751	9%	\$ 461,170	\$ 421,929	9%
Provision for loan losses	18,870	17,974	5%	35,980	39,573	-9%
Noninterest income	63,745	46,358	38%	102,332	93,709	9%
Noninterest expense	179,948	146,908	22%	312,779	284,168	10%
Income from continuing operations before tax	111,178	107,227		214,743	191,897	
Income tax	37,801	36,993		73,872	69,181	
Income from continuing operations	73,377	70,234		140,871	122,716	
Discontinued operations, net of tax(1)				(846)	(613)	
Net Income	\$ 73,377	\$ 70,234	4%	\$ 140,025	\$ 122,103	15%
Earnings Per Share:						
Net Income						
Basic	\$ 0.59	\$ 0.59	0%	\$ 1.17	\$ 1.06	10%
Diluted	\$ 0.59	\$ 0.59	0%	\$ 1.16	\$ 1.06	9%
Average shares outstanding	123,896	117,554		119,583	114,811	
Average diluted shares outstanding	124,540	118,747		120,648	115,881	
				June 30, 2003	Dec. 31, 2002	June 30, 2002
Nonperforming Assets:						
Total non-performing assets ratio				0.71%	0.78%	0.60%
Allowance as a percent of nonperforming loans				210%	191%	325%
Net charge-off ratio (annualized):						
Quarter to date				0.37%	0.44%	0.19%
Year to date				0.29%	0.29%	0.22%

(1) In December 2000, BancGroup exited the mortgage servicing business. The financial results for this line of business have been separately reported as Discontinued Operations in all periods presented.

Table of Contents**Per Share Data**

The table below presents on a per share basis the book value, cash dividends and income from continuing operations of BancGroup and Sarasota on a historical basis and on a pro forma equivalent basis assuming consummation of the Merger.

	Six Months Ended June 30, 2003	Year Ended December 31, 2002
BancGroup Historical:		
Income from Continuing Operations:		
Basic	\$ 0.59	\$ 1.18
Diluted	0.59	1.17
Book Value at end of period	9.03	8.66
Dividends per share	0.28	0.52
Sarasota Historical:		
Net Income:		
Basic	1.85	2.98
Diluted	1.67	2.68
Book Value at end of period	21.64	20.12
Dividends per share	0.10	
BancGroup Pro Forma Combined		
Income from Continuing Operations:		
Basic	0.59	1.17
Diluted	0.59	1.16
Book Value at end of period	9.13	N/A
BancGroup-Pro Forma Combined Per Equivalent Sarasota Share:		
Income from Continuing Operations:(a)		
Basic	2.62	5.21
Diluted	2.62	5.16
Book Value at end of period(a)	40.62	N/A
Dividends per share(b)	1.25	2.31

N/A Not applicable due to the fact that the pro forma balance sheet is only calculated at June 30, 2003 which assumes the transaction consummated on the latest balance sheet date in accordance with Rule 11.02(b) of Regulation S-X.

- (a) Pro forma equivalent per share amounts are calculated by multiplying the pro forma combined total income per share and the pro forma combined total book value per share of BancGroup by the exchange ratio so that the per share amounts are equated to the respective values for one share of Sarasota BanCorporation. For these pro forma equivalent share amounts, a 4.4491 BancGroup common stock exchange ratio is utilized (which is the exchange ratio that would have been used if the merger had been completed on June 30, 2003).
- (b) Pro forma equivalent dividends per share are shown at BancGroup's common stock dividend per share rate multiplied by the 4.4491 exchange ratio per share of Sarasota BanCorporation common stock. BancGroup presently contemplates that dividends will be declared in the future. However, the payment of cash dividends is subject to BancGroup's actual results of operations as well as certain other internal and external factors. Accordingly, there is no assurance that cash dividends will either be declared and paid in the future, or, if declared and paid, that such dividends will approximate the pro forma amounts indicated.

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A WARNING ABOUT FORWARD-LOOKING STATEMENTS

We and BancGroup make forward-looking statements in this document and in BancGroup's and Sarasota's public documents. When we or BancGroup use words such as anticipate, believe, estimate, may, intend, expect, will, should, seeks or other similar expressions BancGroup refer to events or conditions subject to risks and uncertainties. When considering those forward-looking statements, you should keep in mind the risks, uncertainties and other cautionary statements made in this proxy statement-prospectus. You should not place undue reliance on any forward-looking statement, which speaks only as of the date made. In addition to the risks identified below, you should refer to our and BancGroup's public documents for specific risks which could cause actual results to be significantly different from those expressed or implied by those forward-looking statements. Some factors which may affect the accuracy of the forward-looking statements apply generally to the financial services industries, while other factors apply directly to us or BancGroup. Any number of important factors which could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to:

expected cost savings from reorganization into BancGroup are not fully realized;

deposit attrition, customer loss, or revenue loss following the reorganization into BancGroup are greater than expected;

deposit attrition, customer loss, or revenue loss in the ordinary course of business;

increases in competitive pressure in the banking industry;

changes in the interest rate environment which reduce margins;

general economic conditions, either nationally or regionally, that are less favorable than expected, resulting in, among other things, a deterioration in credit quality;

changes which may occur in the regulatory environment;

a significant rate of inflation or deflation;

acts of terrorism, such as the events of September 11, 2001, and war; and

changes in the securities markets.

Many of these factors are beyond our control and beyond the control of BancGroup. For a discussion of factors that could cause BancGroup's actual results to differ, please see the discussions in the sections entitled Management's Discussion and Analysis of Financial Condition and Results of Operations in its Annual Report on Form 10-K for the year ended December 31, 2002 and its Quarterly Reports on Form 10-Q for the periods ended March 31, 2003 and June 30, 2003.

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THE SPECIAL MEETING

General

This Proxy Statement-Prospectus is being furnished to the shareholders of Sarasota Bancorporation, Inc. ("Sarasota") in connection with the solicitation of proxies by the Board of Directors of Sarasota for use at the special meeting of the shareholders of Sarasota to be held on September 23, 2003 (the "Special Meeting") and at any adjournments or postponements thereof. The purpose of the Special Meeting is to consider and vote upon the Agreement which provides for the proposed merger of Sarasota with and into BancGroup (the "Merger"). BancGroup will be the surviving corporation in the Merger.

The Board of Directors of Sarasota believes that the Merger is in the best interests of the Sarasota shareholders and unanimously recommends that shareholders vote FOR the Agreement (item 1 on the proxy card).

This Proxy Statement-Prospectus is also furnished by BancGroup in connection with the offer of shares of BancGroup common stock to be issued in the Merger. No vote of BancGroup shareholders is required to approve the Merger.

Record Date; Shares Entitled to Vote; Vote Required for the Merger

The Board of Directors of Sarasota has fixed the close of business on August 18, 2003, as the date for the determination of shareholders entitled to vote at the Special Meeting (the "Record Date"). There were 427 record holders of Sarasota common stock and 589,000 shares of Sarasota common stock outstanding, each entitled to one vote per share, as of the Record Date. As of the date of this Proxy Statement-Prospectus, Sarasota was obligated to issue up to an additional 64,216 shares of Sarasota common stock upon the exercise of outstanding Sarasota options.

The presence at the Special Meeting, in person or by proxy, of the holders of a majority of the outstanding shares of Sarasota common stock on the Record Date is necessary to constitute a quorum for the transaction of business at the Special Meeting. In the absence of a quorum, the Special Meeting may be postponed from time to time until Sarasota shareholders holding the requisite number of shares of Sarasota common stock are represented in person or by proxy. If a quorum is present, the affirmative vote of the holders of at least a majority of the outstanding shares of Sarasota common stock, whether or not present or represented at the Special Meeting, is required to approve the Agreement. Broker non-votes and abstentions will not be counted as votes FOR or AGAINST the proposal to approve the Agreement, and, as a result, such non-votes will have the same effect as votes cast AGAINST the Agreement. Each holder of record of shares of Sarasota common stock is entitled to cast, for each share registered in his or her name, one vote on the Agreement as well as on each other matter presented to a vote of shareholders at the Special Meeting.

As of the Record Date, directors of Sarasota owned 236,189 shares of Sarasota common stock representing approximately 40.1% of the outstanding shares. These individuals have agreed with BancGroup to vote their shares in favor of the Agreement. Accordingly, if these individuals vote as they have agreed with BancGroup, then the Agreement will be approved if holders of 58,312 of the remaining shares (9.9% of the total outstanding) also vote to approve it.

If the Agreement is approved at the Special Meeting, Sarasota is expected to merge with and into BancGroup promptly after the other conditions to the Agreement are satisfied. See The Merger Conditions of Consummation of the Merger.

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THE BOARD OF DIRECTORS OF SARASOTA URGES THE SHAREHOLDERS OF SARASOTA TO EXECUTE AND RETURN THE ENCLOSED PROXY CARD AS SOON AS POSSIBLE AND UNANIMOUSLY RECOMMENDS THAT THE SHARES REPRESENTED BY THE PROXY BE VOTED IN FAVOR OF THE AGREEMENT.

Solicitation, Voting and Revocation of Proxies

In addition to soliciting proxies by mail, directors, officers and other employees of Sarasota, without receiving special compensation therefor, may solicit proxies from the shareholders of Sarasota by telephone, by e-mail or other electronic means, by facsimile or in person. Arrangements will also be made with brokerage firms and other custodians, nominees and fiduciaries, if any, to forward solicitation materials to any beneficial owners of shares of Sarasota common stock.

Sarasota will bear the cost of assembling and mailing this Proxy Statement-Prospectus and other materials furnished to its shareholders. Sarasota will also pay all other expenses of solicitation, including the expenses of brokers, custodians, nominees, and other fiduciaries who, at the request of Sarasota, mail material to, or otherwise communicate with, beneficial owners of the shares held by them. BancGroup will pay all expenses incident to the registration of the BancGroup common stock to be issued in connection with the Merger.

Shares of Sarasota common stock represented by a proxy properly signed and received at or prior to the Special Meeting, unless properly revoked, will be voted in accordance with the instructions on the proxy. If a proxy is signed and returned without any voting instructions, shares of Sarasota common stock represented by the proxy will be voted FOR the proposal to approve the Agreement and in accordance with the determination of the majority of the Board of Directors of Sarasota as to any other matter which may properly come before the Special Meeting, including any adjournment or postponement thereof. A shareholder may revoke any proxy given pursuant to this solicitation by: (i) delivering to the President of Sarasota, prior to or at the Special Meeting, a written notice revoking the proxy; (ii) delivering to the President of Sarasota, at or prior to the Special Meeting, a duly executed proxy relating to the same shares and bearing a later date; or (iii) voting in person at the Special Meeting. Attendance at the Special Meeting will not, in and of itself, constitute a revocation of a proxy. All written notices of revocation and other communications with respect to the revocation of a proxy should be addressed to:

Sarasota Bancorporation, Inc.

2 North Tamiami Trail

Suite 100

Sarasota, Florida 34236

Attention: Christine L. Jennings, President and CEO

facsimile: (941) 365-0483

Proxies marked as abstentions and shares held in street name which have been designated by brokers on proxy cards as not voted will not be counted as votes cast. Such proxies will, however, be counted for purposes of determining whether a quorum is present at the Special Meeting.

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The Board of Directors of Sarasota is not aware of any business to be acted upon at the Special Meeting other than consideration of the Agreement described herein. If, however, other matters are properly brought before the Special Meeting, or any adjournments or postponements thereof, the persons appointed as proxies will have the discretion to vote or act on such matters according to their best judgment. Proxies voted in favor of the approval of the Agreement, or proxies as to which no voting instructions are given, will be voted to adjourn the Special Meeting, if necessary, in order to solicit additional proxies in favor of the approval of the Agreement. Proxies voted against the approval of the Agreement and abstentions will not be voted for an adjournment. See Adjournment of the Special Meeting.

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Effect of Merger on Outstanding BancGroup Common Stock

At the consummation of the Merger, the Market Value of BancGroup's Common Stock will be the average of the closing prices of the BancGroup common stock as reported by the New York Stock Exchange (NYSE) on each of the ten trading days ending on the trading day five trading days immediately preceding the Effective Date. Assuming that no dissenters' rights of appraisal are exercised in connection with the Merger, that 589,000 shares of Sarasota common stock are outstanding on the Effective Date and the Market Value of BancGroup common stock is \$13.31 or less then BancGroup will issue approximately 2,748,510 shares in connection with the Merger. The issuance of 2.7 million shares of BancGroup common stock would represent approximately 2% of the total number of shares of BancGroup common stock outstanding following the Merger, not counting any additional shares BancGroup may issue for reasons unconnected to the Merger. The average closing price for BancGroup common stock for the ten trading days ending on five trading days before August 12, 2003 was \$14.66. If the Market Value of BancGroup common stock is \$14.66 per share on the Effective Date, then BancGroup will issue approximately 2,495,416 million shares in connection with the Merger, which would represent approximately % of the total number of shares of BancGroup common stock outstanding following the Merger, not counting any additional shares BancGroup may issue for reasons unconnected to the Merger.

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THE MERGER

The following sets forth a summary of the material provisions of the Agreement and the transactions contemplated thereby. The description does not purport to be complete and is qualified in its entirety by reference to the Agreement, a copy of which is attached hereto as Appendix A, and certain provisions of Florida law relating to the rights of dissenting shareholders, a copy of which is attached hereto as Appendix B. All Sarasota shareholders are urged to read the Agreement and the Appendices in their entirety.

General

The Agreement provides that, subject to approval by the shareholders of Sarasota, receipt of necessary regulatory approvals and satisfaction of certain other conditions described below at Conditions to Consummation of the Merger, Sarasota will merge with and into BancGroup. Upon completion of the Merger, the corporate existence of Sarasota will cease, and BancGroup will succeed to the business formerly conducted by Sarasota.

Background of the Merger

Sarasota was organized in 1990 by businessmen and investors primarily located in Sarasota, Florida, with the intent of bringing community-style banking to Sarasota. From its opening in September 1992, Sarasota's subsidiary, Sarasota Bank, grew steadily in Sarasota County.

In late 2001 and early 2002, management of Sarasota began discussing with the Board of Directors management's projections for the continued growth of the company in the Sarasota market and the company's corresponding need for capital. Management and the board discussed various alternatives for meeting the company's forecasted capital needs, including conducting a securities offering or investigating the possibility of a business combination involving the company. In February 2002, the Sarasota board of directors formed a special committee to further investigate long-term planning and strategic alternatives for the company (the Committee). The Committee consists of the following members of the board of directors: Gilbert J. Wellman, Christine L. Jennings, Sam D. Norton, and Timothy J. Clarke. The alternatives to be considered by the Committee ranged from strategies related to raising additional capital, expansion into other markets or seeking a strategic partner for a business combination.

In October 2002, Mr. Wellman, Mr. Norton and Ms. Jennings met with representatives from a Florida-based bank holding company that had approached Sarasota regarding a potential business combination. Sarasota and this third party engaged in several discussions throughout the fall of 2002 but no formal negotiations commenced. Although the Committee met again with representatives from this financial institution in December 2002, the Committee determined that it would be appropriate for this institution to participate in the process along with any other financial institutions that might be contacted on behalf of Sarasota as discussed below.

On October 31, 2002, the Committee interviewed several investment banking firms regarding Sarasota's pursuit of its strategic alternatives. On November 12, 2002, the Committee met separately with the investment banking firm of Keefe, Bruyette & Woods, Inc. (KBW). On that same day, the Committee authorized management to enter into an exclusive agreement with KBW to provide financial advisory services related to Sarasota's evaluation of a possible sale to or merger with a large regional or national bank. Sarasota and KBW executed the exclusive agreement

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on November 25, 2002. Sarasota selected KBW because KBW is a nationally recognized investment banking firm with substantial experience in evaluating and executing transactions similar to the Merger. As part of its investment banking business, KBW is continually engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions.

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During January 2003, KBW conducted a due diligence investigation of Sarasota and worked with Sarasota's management to prepare a Confidential Memorandum to send to prospective acquirors identified by KBW and approved by Sarasota. Through this process 12 regional and national banks were identified and contacted by KBW. In March 2003, 10 of the 12 institutions contacted signed confidentiality agreements and received the Confidential Memorandum. After approximately three weeks of review, three institutions submitted non-binding indications of interest. The Florida-based bank holding company discussed above did not submit an indication of interest. On March 25, 2003, KBW presented to the Committee a comprehensive analysis of the three banks along with each bank's indication of interest. After a review of the proposed terms submitted by these banks, the Committee decided to commence further negotiations with a Florida-based bank holding company. After a few weeks, negotiations with this potential acquiror terminated and the Committee identified BancGroup as the most promising merger partner based on the price, the form of consideration, the proposed role of Sarasota's management team and employees, and the fact that BancGroup is a leading financial holding company, headquartered in Montgomery, Alabama with affiliate banking operations in Alabama, Florida, Georgia, Tennessee, Texas and Nevada. In addition, BancGroup had recently entered the Sarasota market by acquiring a branch in 2001 and was seeking to expand its presence in the Southwest Florida market.

On April 29, 2003, the Committee met with representatives of BancGroup to discuss the details of a potential business combination. On May 7, 2003, BancGroup submitted a formal offer to acquire Sarasota, subject to customary closing conditions and completion of due diligence. During the week of May 26, 2003, BancGroup conducted an onsite due diligence investigation of Sarasota. Sarasota, with the assistance of its outside counsel, Smith, Gambrell and Russell, LLP, and KBW, continued negotiations with BancGroup through June 25, 2003. The parties exchanged a number of drafts of the merger agreement, written comments and response letters which resulted in a fixed price to Sarasota shareholders of \$62.11 per share. The amount of shares of BancGroup common stock that each Sarasota shareholder would receive would be dependent upon the market value of BancGroup's common stock in the days leading up to the merger. If the market value was \$13.31 or less, each Sarasota shareholder would receive 4.6664 shares of BancGroup common stock for each share of Sarasota common stock plus a cash payment for each share of Sarasota common stock equal to \$13.31 minus the market value of BancGroup common stock times 4.6664. If the market value was greater than \$13.31, each Sarasota shareholder would receive a number of shares of BancGroup common stock equal to \$62.11 divided by the market value of BancGroup common stock for each share of Sarasota common stock. The Committee believed that due to the uncertainty in the economy and other factors it was important to fix the price at \$62.11.

A meeting of Sarasota's Board of Directors was held on June 25, 2003, at which representatives of Smith, Gambrell & Russell and KBW were also present. Representatives of Smith, Gambrell & Russell reviewed and discussed with the board the terms of the proposed merger agreement, and representatives of KBW delivered and described that firm's opinion that, as of the date of the meeting, the merger consideration to be received by the Sarasota shareholders was fair, from a financial point of view, to such shareholders. After discussion, the board unanimously approved the merger and authorized management of Sarasota to execute the merger agreement and take such further action as necessary to consummate the merger, subject to regulatory and shareholder approval.

Shortly following the conclusion of the board of directors meeting, the parties entered into the merger agreement. The parties announced the signing of the merger agreement on June 26, 2003.

Sarasota's Reasons for the Merger

On June 25, 2003, the board of directors of Sarasota unanimously approved and adopted the merger agreement. The board of directors of Sarasota believes that the merger and the terms and provisions of the merger agreement are fair to and in the best interests of Sarasota shareholders. The board of directors of Sarasota unanimously recommends that you vote to approve the merger.

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In reaching its decision to adopt and recommend approval of the merger agreement, the board of directors of Sarasota considered a number of factors, including the following:

the overall terms of the proposed transaction;

the financial condition, results of operations, and future prospects of BancGroup;

our financial condition, results of operations, and future prospects;

the value of the consideration to be received by you relative to the book value, earnings and dividends per share of our common stock;

the competitive and regulatory environment for community banks generally;

the fact that the merger will enable you to exchange your shares of Sarasota common stock (for which there is no established public trading market) for shares of common stock of a larger and more diversified entity, the stock of which is widely held and actively traded;

that the merger will enable you to hold stock in a financial institution that has historically paid cash dividends to its shareholders for over 15 years;

the likelihood that we and BancGroup will receive the requisite regulatory approvals to perform the merger; and

the fact that we expect that the receipt of BancGroup stock (but not cash) in the merger will be a tax-free transaction for federal income tax purposes.

The foregoing discussion of the information and factors considered by the Sarasota board is not intended to be exhaustive, but includes the material factors considered. In view of the variety of factors considered in connection with its evaluation of the merger and the offer price, the Sarasota board did not find it practicable to, and did not, quantify or otherwise assign relative weight to the specific factors considered in reaching its determinations and recommendations, and individual directors may have given differing weight to different factors.

Each member of the board of directors of Sarasota has indicated that he or she intends to vote his or her shares of Sarasota common stock in favor of the Merger.

Fairness Opinion of Keefe, Bruyette & Woods, Inc.

Sarasota engaged Keefe, Bruyette & Woods, Inc. (KBW) to act as its exclusive financial advisor in connection with the Merger. KBW agreed to assist Sarasota in analyzing and effecting a transaction with BancGroup. Sarasota selected KBW because KBW is a nationally recognized investment banking firm with substantial experience in transactions similar to the Merger and is familiar with Sarasota and its business. As part

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of its investment banking business, KBW is continually engaged in the valuation of financial businesses and their securities in connection with mergers and acquisitions.

On June 25, 2003, Sarasota's Board held a meeting to evaluate the proposed Merger with BancGroup. At this meeting, KBW reviewed the financial aspects of the proposed Merger and rendered an oral opinion (subsequently confirmed in writing) that, as of that date, the merger consideration in the Merger was fair to Sarasota and its shareholders from a financial point of view.

The full text of KBW's written opinion is attached as Appendix C to this document and is incorporated herein by reference. Sarasota's shareholders are urged to read the opinion in its entirety for a description of the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by KBW.

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KBW's opinion is directed to the Board of Sarasota and addresses only the fairness, from a financial point of view, of the merger consideration to the Sarasota shareholders. It does not address the underlying business decision to proceed with the Merger and does not constitute a recommendation to any Sarasota shareholder as to how the shareholder should vote at the Sarasota special meeting on the Merger or any related matter.

In rendering its opinion, KBW:

reviewed, among other things,

the Agreement,

Annual Reports to Shareholders and Annual Reports on Form 10-KSB for the three years ended December 31, 2002, 2001 and 2000 of Sarasota,

Annual Reports to Shareholders and Annual Reports on Form 10-K for the three years ended December 31, 2002, 2001 and 2000 of BancGroup,

Certain interim reports to shareholders and Quarterly Reports on Form 10-QSB of Sarasota and certain other communications from Sarasota to its shareholders,

Certain interim reports to shareholders and Quarterly Reports on Form 10-Q of BancGroup and certain other communications from BancGroup to its shareholders, and

Other financial information concerning the businesses and operations of Sarasota and BancGroup furnished to KBW by Sarasota and BancGroup for purposes of KBW's analysis;

held discussions with members of senior management of Sarasota and BancGroup regarding

past and current business operations,

regulatory relationships,

financial condition, and

future prospects of the respective companies;

reviewed the market prices, valuation multiples, publicly reported financial condition and results of operations for BancGroup and compared them with those of certain publicly traded companies that KBW deemed to be relevant;

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reviewed the publicly reported financial conditions and results of operations for Sarasota and compared them with those of certain other companies that KBW deemed to be relevant;

compared the proposed financial terms of the Merger with the financial terms of certain other transactions that KBW deemed to be relevant; and

performed other studies and analyses that it considered appropriate.

In conducting its review and arriving at its opinion, KBW relied upon and assumed the accuracy and completeness of all of the financial and other information provided to or otherwise made available to KBW or that was discussed with, or reviewed by or for KBW, or that was publicly available. KBW did not attempt or assume any responsibility to verify such information independently. KBW relied upon the management of Sarasota as to the reasonableness and achievability of the financial and operating forecasts and projections (and assumptions and bases therefor) provided to KBW. KBW assumed, without independent verification, that the aggregate allowances for loan and lease losses for BancGroup and Sarasota are adequate to cover those losses. KBW did not make or obtain any evaluations or appraisals of any assets or liabilities of BancGroup or Sarasota, and KBW did not examine any books and records or review individual credit files.

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The projections furnished to KBW and used by it in certain of its analyses were prepared by Sarasota's senior management. Sarasota does not publicly disclose internal management projections of the type provided to KBW in connection with its review of the Merger. As a result, such projections were not prepared with a view towards public disclosure. The projections were based on numerous variables and assumptions which are inherently uncertain, including factors related to general economic and competitive conditions. Accordingly, actual results could vary significantly from those set forth in the projections.

For purposes of rendering its opinion, KBW assumed that, in all respects material to its analyses:

the Merger will be completed substantially in accordance with the terms set forth in the Merger Agreement;

the representations and warranties of each party in the Merger Agreement and in all related documents and instruments referred to in the Merger Agreement are true and correct;

each party to the Merger Agreement and all related documents will perform all of the covenants and agreements required to be performed by such party under such documents;

all conditions to the completion of the Merger will be satisfied without any waivers; and

in the course of obtaining the necessary regulatory, contractual, or other consents or approvals for the Merger, no restrictions, including any divestiture requirements, termination or other payments or amendments or modifications, will be imposed that will have a material adverse effect on the future results of operations or financial condition of the combined entity or the contemplated benefits of the Merger, including the cost savings, revenue enhancements and related expenses expected to result from the Merger.

KBW further assumed that the Merger will be accounted for as a purchase transaction under generally accepted accounting principles. KBW's opinion is not an expression of an opinion as to the prices at which shares of Sarasota common stock or shares of BancGroup common stock will trade following the announcement of the Merger or the actual value of the shares of common stock of the combined company when issued pursuant to the Merger, or the prices at which the shares of common stock of the combined company will trade following the completion of the Merger.

In performing its analyses, KBW made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of KBW, Sarasota and BancGroup. Any estimates contained in the analyses performed by KBW are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by these analyses. Additionally, estimates of the value of businesses or securities do not purport to be appraisals or to reflect the prices at which such businesses or securities might actually be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty. In addition, the KBW opinion was among several factors taken into consideration by the Sarasota Board in making its determination to approve the Merger Agreement and the Merger. Consequently, the analyses described below should not be viewed as determinative of the decision of the Sarasota Board or management of Sarasota with respect to the fairness of the merger consideration.

The following is a summary of the material analyses presented by KBW to the Sarasota Board on June 25, 2003 in connection with its June 25, 2003 oral opinion. The summary is not a complete description of the analyses underlying the KBW opinion or the presentation made by KBW to the Sarasota Board, but summarizes the material analyses performed and presented in connection with such opinion. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial

analysis or summary description. In arriving at its opinion, KBW did not attribute any particular weight to any analysis or factor that it considered, but rather made

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qualitative judgments as to the significance and relevance of each analysis and factor. The financial analyses summarized below include information presented in tabular format. Accordingly, KBW believes that its analyses and the summary of its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying its analyses and opinion. The tables alone do not constitute a complete description of the financial analyses.

Transaction Summary. KBW calculated the merger consideration to be paid as a multiple of Sarasota's book value per share and last twelve months' earnings and as a Core Deposit Premium. Core Deposit Premium equals the difference between the aggregate merger consideration and Sarasota's tangible equity divided by total domestic, non-brokered deposits less time deposit accounts greater than \$100,000. The merger consideration was based on a fixed deal value of \$39.9 million for 100% of Sarasota shares. Based on these assumptions and subject to the pricing formulas contained in the Merger Agreement, this analysis indicated that Sarasota shareholders would receive BancGroup stock worth \$62.11 or a combination of BancGroup stock and cash worth \$62.11 for each share of Sarasota common stock held, and that this amount would represent 299.1% of Sarasota's book value per share, a core deposit premium of 30.1% and a multiple of price to latest twelve months' earnings of 21.6 times. These results were based on Sarasota's stated book value per share, core deposits and latest twelve months earnings as of March 31, 2003 of \$20.77, \$91.8 million and \$1.8 million, respectively.

Selected Transaction Analysis. KBW reviewed certain financial data related to a set of comparable regional bank transactions announced since December 31, 2001 with deal values between \$30 million and \$100 million (13 transactions).

KBW compared multiples of price to various factors for the BancGroup-Sarasota Merger to the same multiples for the comparable group's mergers at the time those mergers were announced. The results were as follows:

Comparable Transactions:

	<u>Median</u>	<u>Low</u>	<u>High</u>	<u>BancGroup / Sarasota Merger</u>
Price / Stated Book Value	209.9%	165.7%	367.5%	299.1%
Core Deposit Premium	18.1	11.8	38.0	30.1
Price / Latest Twelve Months' Earnings	20.9x	14.5x	27.2x	21.6x

KBW also analyzed the financial data for the period ended March 31, 2003 for Sarasota and reporting period prior to the announcement of each transaction for each target in the Selected Transactions Analysis. The results were as follows:

Comparable Targets:

	<u>Median</u>	<u>Low</u>	<u>High</u>	<u>Sarasota</u>
Equity / Assets	9.06%	6.58%	14.31%	7.44%

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Non-Performing Assets / Assets	0.60	0.08	2.32	0.64
Return on Average Assets (Year-to-Date Annualized)	1.12	0.45	2.07	1.19
Return on Average Equity (Year-to-Date Annualized)	11.96	4.86	22.20	15.70
Efficiency Ratio (Latest Twelve Months)	65	36	78	47

No company or transaction used as a comparison in the above analysis is identical to BancGroup, Sarasota or the Merger. Accordingly, an analysis of these results is not purely mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the value of the companies to which they are being compared.

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Discounted Cash Flow Analysis. Using a discounted cash flow analysis, KBW estimated the present value of the future stream of dividends that Sarasota could produce over the next five years, under various circumstances, assuming the company performed in accordance with the earnings forecasts of management. KBW then estimated the terminal values for Sarasota stock at the end of the period by applying multiples ranging from 12.0x to 16.0x projected earnings in year five. The dividend streams and terminal values were then discounted to present values using different discount rates (ranging from 10.0% to 14.0%) chosen to reflect different assumptions regarding the required rates of return to holders or prospective buyers of Sarasota common stock. This discounted dividend analysis indicated reference ranges of between \$42.05 and \$63.87 per share of Sarasota common stock. These values compare to the consideration offered by BancGroup to Sarasota in the Merger of \$62.11 per share of Sarasota common stock.

Relative Stock Price Performance. KBW also analyzed the price performance of BancGroup common stock from December 31, 2000 to June 20, 2003 and compared that performance to the performance of the Philadelphia Exchange/Keefe, Bruyette & Woods Bank Index (Keefe Bank Index) over the same period. The Keefe Bank Index is a market cap weighted price index composed of 24 major commercial and savings banks stocks. The Keefe Bank Index is traded on the Philadelphia Exchange under the symbol BKX . This analysis indicated the following cumulative changes in price over the period:

BancGroup	42.4%
Keefe Bank Index	(1.7)

Selected Peer Group Analysis. KBW compared the financial performance and market performance of BancGroup to those of a group of comparable holding companies. The comparisons were based on:

various financial measures including:

earnings performance,

operating efficiency,

capital, and

asset quality; and

various measures of market performance including:

price to book value,

price to earnings, and

dividend yield.

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To perform this analysis, KBW used the financial information as of and for the quarter ended March 31, 2003 and market price information as of June 24, 2003. The 11 companies in the peer group were BancorpSouth, Inc., Compass Bancshares, Inc., F.N.B. Corporation, First Citizens BancShares, Inc., First Tennessee National Corporation, Hibernia Corporation, National Commerce Financial Corporation, The South Financial Group, Inc., Synovus Financial Corp., Trustmark Corporation and Whitney Holding Corporation. KBW has adjusted throughout its analysis the financial data to exclude certain non-recurring income and expenses and any extraordinary items.

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KBW's analysis showed the following concerning BancGroup's financial performance:

Selected Peer Group:

	<u>Median</u>	<u>Low</u>	<u>High</u>	<u>BancGroup</u>
Return on Average Equity (GAAP)	15.80%	7.47%	27.34%	13.17%
Return on Average Assets (GAAP)	1.39	0.61	2.04	0.93
Return on Average Tangible Equity (Cash)	20.43	8.62	31.23	17.58
Return on Average Tangible Assets (Cash)	1.43	0.63	2.08	0.96
Net Interest Margin	4.21	3.32	4.63	3.42
Efficiency Ratio	60	51	75	58
Leverage Ratio	8.24	6.04	10.56	6.58
Equity / Assets	8.12	7.10	12.41	6.85
Loans / Deposits	90	73	111	126
Non-Performing Assets / Assets	0.43	0.20	0.78	0.50
Loan Loss Reserve / Non-Performing Assets	196	99	451	175
Loan Loss Reserve / Total Loans	1.42	0.87	1.77	1.17

KBW's analysis showed the following concerning BancGroup's market performance:

Selected Peer Group:

	<u>Median</u>	<u>Low</u>	<u>High</u>	<u>BancGroup</u>
Price / Stated Book Value Per Share	193%	106%	320%	158%
Price / Tangible Book Value Per Share	273	120	361	207
Price / 2003 GAAP Estimated Earnings Per Share	13.3x	11.0x	17.1x	11.6x
Price / 2003 Cash Estimated Earnings Per Share	12.8	10.9	17.0	11.3
Price / 2004 GAAP Estimated Earnings Per Share	12.2	9.9	15.3	11.1
Price / 2004 Cash Estimated Earnings Per Share	11.9	9.8	15.2	10.9
Dividend Yield	3.1%	1.1%	3.7%	4.1%

KBW also compared the financial performance of Sarasota to those of a group of comparable banks. The comparisons were based on:

various financial measures including:

earnings performance,

operating efficiency,

capital, and

asset quality.

To perform this analysis, KBW used the financial information as of and for the quarter ended December 31, 2002 for the comparable banks and March 31, 2003 for Sarasota. The 14 companies in the peer group included select banks in Florida with assets between \$200 million and \$300 million. KBW has adjusted throughout its analysis the financial data to exclude certain non-recurring income and expenses and any extraordinary items.

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KBW's analysis showed the following concerning Sarasota's financial performance:

Selected Peer Group:

	<u>Median</u>	<u>Low</u>	<u>High</u>	<u>Sarasota</u>
Return on Average Equity (GAAP)	9.69%	3.02%	18.70%	15.70%
Return on Average Assets (GAAP)	1.05	0.13	1.36	1.19
Return on Average Tangible Equity (Cash)	10.13	3.02	18.70	15.70
Return on Average Tangible Assets (Cash)	1.05	0.13	1.36	1.19
Net Interest Margin	4.37	2.11	5.65	3.91
Efficiency Ratio	63	49	91	47
Leverage Ratio	8.20	5.46	14.24	7.42
Equity / Assets	7.95	3.86	14.02	7.44
Loans / Deposits	77	27	88	92
Non-Performing Assets / Assets	0.30	0.07	2.53	0.64
Loan Loss Reserve / Non-Performing Assets	106	29	731	163
Loan Loss Reserve / Total Loans	1.21	0.62	1.50	1.42

Contribution Analysis. KBW analyzed the relative contribution of each of Sarasota and BancGroup to the pro forma balance sheet and income statement items of the combined entity, including assets, gross loans, deposits, equity, tangible equity, latest twelve months' earnings and estimated 2004 earnings. This analysis excluded any purchase accounting adjustments. The pro forma ownership analysis assumed 100% of the aggregate deal value is in the form of BancGroup stock and was based on BancGroup's closing price of \$13.75 on June 24, 2003. The results of KBW's analysis are set forth in the following table:

<u>Category</u>	<u>BancGroup</u>	<u>Sarasota</u>
Assets	99.0%	1.0%
Gross Loans	99.0	1.0
Deposits	98.6	1.4
Equity	98.9	1.1
Tangible Equity	98.5	1.5
Latest Twelve Months' Earnings (GAAP)	98.7	1.3
2004 Estimated Earnings (GAAP)	98.5	1.5
Estimated Pro Forma Ownership	97.9	2.1

Financial Impact Analysis. KBW performed pro forma merger analyses that combined projected income statement and balance sheet information. Assumptions regarding the accounting treatment, acquisition adjustments and cost savings were used to calculate the financial impact that the Merger would have on certain projected financial results of the pro forma company. This analysis indicated that the Merger is expected to be dilutive to BancGroup's estimated GAAP and cash earnings per share in 2004 and 2005. This analysis was based on First Call's 2004 published earnings estimates for BancGroup and estimated cost savings equal to 14.0% of Sarasota's projected non-interest expenses. BancGroup's 2005 earnings and Sarasota's 2004 and 2005 earnings were projected by KBW. For all of the above analyses, the actual results achieved by the pro forma company following the Merger will vary from the projected results and the variations may be material.

Other Analyses. KBW reviewed the relative financial and market performance of BancGroup and Sarasota to a variety of relevant industry peer groups and indices. KBW also reviewed earnings estimates, historical stock performance, stock liquidity and research coverage for BancGroup.

The Sarasota Board has retained KBW as an independent contractor to act as financial advisor to Sarasota regarding the Merger. As part of its investment banking business, KBW is continually engaged in the valuation of banking businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations

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for estate, corporate and other purposes. As specialists in the securities of banking companies, KBW has experience in, and knowledge of, the valuation of banking enterprises. In the ordinary course of its business as a broker-dealer, KBW may, from time to time, purchase securities from, and sell securities to, Sarasota and BancGroup. As a market maker in securities, KBW may from time to time have a long or short position in, and buy or sell, debt or equity securities of Sarasota and BancGroup for KBW's own account and for the accounts of its customers.

Sarasota and KBW have entered into an agreement relating to the services to be provided by KBW in connection with the Merger. Sarasota has agreed to pay KBW at the time of closing a cash fee equal to 1.0% of the market value of the aggregate consideration offered in exchange for the outstanding shares of common stock of Sarasota in the transaction. Pursuant to the KBW engagement agreement, Sarasota also agreed to reimburse KBW for reasonable out-of-pocket expenses and disbursements incurred in connection with its retention and to indemnify against certain liabilities, including liabilities under the federal securities laws.

Recommendation of the Board of Directors of Sarasota

The Board of Directors of Sarasota has determined that the Agreement is in the best interest of Sarasota shareholders. **THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS OF SARASOTA VOTE IN FAVOR OF THE APPROVAL AND ADOPTION OF THE AGREEMENT.**

BancGroup's Reasons for the Merger

The Executive Committee of the Board of Directors of BancGroup has unanimously approved the Merger and the Agreement, and BancGroup's Board of Directors has ratified such approval. The Merger will allow BancGroup to expand its banking operations in the Sarasota market area. BancGroup currently operates a commercial bank with 106 branches in Florida. The Board of Directors of BancGroup believes that the combination with Sarasota is consistent with its current expansion strategy.

In approving the Merger and the Agreement, the Board of Directors of BancGroup took into account: (i) the financial performance and condition of Sarasota and Sarasota Bank (the "Bank"), including its capital and asset quality; (ii) similarities in the philosophies of BancGroup and Sarasota, including the commitment of Sarasota to delivering high quality personalized financial services to its customers; and (iii) the extensive knowledge of, and experience in, the Sarasota, Florida market area that has been demonstrated by the management of Sarasota.

Interests of Certain Persons in the Merger

Certain members of the management and Boards of Directors of Sarasota and the Bank may be deemed to have certain interests in the Merger in addition to their interest as shareholders of Sarasota generally. The Board of Directors of Sarasota was aware of these interests and considered them, among other matters, in unanimously approving the Agreement.

Cash-out of Options. As of the date of this Proxy Statement-Prospectus, Sarasota had outstanding options (the "Sarasota Options") which entitle the holders thereof to acquire up to 64,216 shares of Sarasota common stock. Each holder of a Sarasota Option has agreed with BancGroup to

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exchange his or her Sarasota Options for a cash payment equal to \$62.11 multiplied by the number of shares of Sarasota common stock that would have issued if such Sarasota Option had been exercised less the aggregate exercise price. See The Merger Treatment of Sarasota Options.

Employees. BancGroup has also entered into an employment agreement with Christine L. Jennings. This employment agreement only becomes effective upon the consummation of the Merger. Ms. Jennings' employment agreement provides that she will, among other things, act as President of Colonial Bank, N.A. s

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Sarasota County operation for a base salary of \$175,000. This agreement also provides that Ms. Jennings will receive a transition fee of \$48,000 so long as she is still employed by Colonial Bank, N.A. one year after the completion of the Merger. Additionally, Ms. Jennings will receive a car allowance of \$700 per month and reimbursement for civic and/or social clubs up to \$6,300 per year. Ms. Jennings' employment agreement also makes her eligible to receive options to purchase 10,000 shares of BancGroup common stock. The exercise price for such options will be the market value of BancGroup common stock on the date of grant. These options will vest ratably over a five year period. The term of the employment agreement is two years beginning on the Effective Date. BancGroup may terminate the employment agreement prior to that date by paying Ms. Jennings a cash payment equal to the total salary that would otherwise be paid for the remainder of the term of the employment agreement. The employment agreement also provides that Ms. Jennings will not compete against BancGroup in the Florida county of Sarasota County, or any county contiguous to Sarasota county for two years following the termination of the employment agreement.

BancGroup has also entered into an employment agreement with Paul D. Thatcher. This employment agreement only becomes effective upon the consummation of the Merger. Mr. Thatcher's employment agreement provides among other things, for a base salary of \$107,640, and a car allowance of \$500 per month. Mr. Thatcher's employment agreement also makes him eligible to receive options to purchase 2,500 shares of BancGroup common stock. The exercise price for such options will be the market value of BancGroup common stock on the date of grant. These options will vest ratably over a five year period. The term of the employment agreement is one year beginning on the Effective Date. BancGroup may terminate the employment agreement prior to that date by paying Mr. Thatcher a cash payment equal to the total salary that would otherwise be paid for the remainder of the term of the employment agreement. The employment agreement also provides that Mr. Thatcher will not compete against BancGroup in the Florida county of Sarasota County, or any county contiguous to Sarasota county for two years following the termination of the employment agreement.

Pursuant to their currently existing employment agreements with Sarasota, Ms. Jennings and Mr. Thatcher are expected to receive cash payments of \$450,000 and \$161,460, respectively, at the closing of the merger.

As an inducement to stay employed with Sarasota Bank at least until the closing of the Merger, certain employees of Sarasota Bank may be paid a bonus on the Effective Date. The aggregate amount of such bonuses will not exceed \$100,000.

On the Effective Date, all employees of Sarasota will, at BancGroup's option, either become employees of BancGroup or its subsidiaries or be entitled to severance benefits in accordance with Colonial Bank, N.A.'s severance policy. All employees of Sarasota who become employees of BancGroup or its subsidiaries on the Effective Date will be entitled, to the extent permitted by applicable law, to participate in all benefit plans of BancGroup to the same extent as BancGroup's employees.

Indemnification. Under the Agreement, BancGroup has agreed for a period of six years to indemnify the directors and executive officers of Sarasota against certain claims and liabilities arising out of or pertaining to matters existing or occurring at or prior to the Effective Date, to the extent that Sarasota would have been authorized under Florida law, or under its Articles of Incorporation or Bylaws, to indemnify such persons.

Affiliate Agreements. Sarasota's directors have entered into affiliate agreements with BancGroup regarding various issues associated with the merger. These agreements provide that the director will, among other things:

agree to vote his or her shares for the merger;

not distribute BancGroup common stock issued in connection with the merger except in accordance with certain rules of the SEC; and

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

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Additionally, Sarasota's directors who are not also employees of Sarasota agreed generally not to compete with Colonial Bank, N.A. for a period of two years after the effective date of the Merger and will be entitled to receive cash payments ranging from \$10,000 to \$55,000 for these non-compete agreements. The aggregate amount of such payments is \$400,000.

Conversion of Sarasota Common Stock

The Agreement provides for the Merger of Sarasota with and into BancGroup, with BancGroup to be the surviving corporation. On the Effective Date, each share of Sarasota common stock outstanding and held by the Sarasota shareholders (except shares as to which dissenters' rights are perfected) will be converted by operation of law and without any action by any holder thereof into shares of BancGroup common stock (the Merger Consideration). If the Market Value is less than \$13.31, then each share of Sarasota common stock outstanding at the Effective Date shall be converted into 4.6664 shares of BancGroup common stock plus the right to receive a cash payment (without interest) of \$13.31 minus the Market Value for each share of Sarasota common stock times 4.6664. If the Market Value is equal to or greater than \$13.31, then each share of Sarasota common stock shall be converted into the number of shares of BancGroup common stock equal to \$62.11 divided by the Market Value. The Market Value shall be the average of the closing prices of the BancGroup common stock as reported by the NYSE on each of the ten trading days ending on the trading day five trading days immediately preceding, and not including the Effective Date. The appropriate ratio that is used to calculate the Merger Consideration based upon the Market Value as set forth above is referred to as the Exchange Ratio. Accordingly, based upon the 589,000 shares of Sarasota common stock outstanding as of the date of this Proxy Statement-Prospectus, and assuming the exercise of no Sarasota Options and that the Market Value of BancGroup common stock is equal to \$14.66 (which was the average closing price for the ten trading days ending five trading days before August 12, 2003), the number of shares of BancGroup common stock that may be issued in the Merger would be approximately 2,495,416 million shares.

No fractional shares of BancGroup common stock will be issued in connection with the Merger. Each shareholder of Sarasota otherwise entitled to receive a fractional share of BancGroup common stock will receive instead a cash payment (without interest) equal to such fractional interest multiplied by the Market Value.

The average closing price of BancGroup common stock for the ten trading days ending five trading days before August 12, 2003 was \$14.66. Therefore, upon the Effective Date, if the Market Value is equal to \$14.66, then each share of Sarasota common stock will be converted into 4.2367 shares of BancGroup common stock. As a result, a shareholder of Sarasota who owns 500 shares of Sarasota common stock would be entitled to receive 2,118 shares of BancGroup common stock (500 multiplied by 4.2367), plus cash in lieu of the fractional interest. Shareholders are advised to obtain current market quotations for BancGroup common stock. The Market Value of BancGroup common stock at the Effective Date, or on the date on which certificates representing such shares are received by Sarasota shareholders, may be higher or lower than the market price of BancGroup common stock as of the Record Date or at the time of the Special Meeting.

If the merger is not completed prior to the record date for BancGroup's regular quarterly cash dividend that is anticipated to be declared on October 15, 2003, with a record date of October 24, 2003, if such dividend is actually declared, then after the completion of the merger, each Sarasota shareholder will receive a cash payment equal to the per share amount of such dividend multiplied by the number of shares of BancGroup common stock that such shareholder receives after the completion of the merger.

The Agreement provides that if, prior to the Effective Date, BancGroup common stock is changed into a different number of shares or a different class of shares by reason of any recapitalization or reclassification, stock dividend, combination, stock split, or reverse stock split of the BancGroup common stock, an appropriate and proportionate adjustment will be made in the number of shares of BancGroup common stock into which the Sarasota common stock will be converted in the Merger.

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Surrender of Sarasota Common Stock Certificates

On the Effective Date and subject to the conditions described at Conditions to Consummation of the Merger, Sarasota shareholders (except those shareholders who perfect dissenters' rights under applicable law) will automatically, and without further action by such shareholders or by BancGroup, become owners of BancGroup common stock, as described herein. Outstanding certificates representing shares of the Sarasota common stock will represent shares of BancGroup common stock. Thereafter, upon surrender of the certificates formerly representing shares of Sarasota common stock, the holders will be entitled to receive certificates for the BancGroup common stock. Dividends on the shares of BancGroup common stock will accumulate without interest and will not be distributed to any former shareholder of Sarasota unless and until such shareholder surrenders for cancellation his certificate for Sarasota common stock. SunTrust Bank, transfer agent for BancGroup common stock, will act as the Exchange Agent with respect to the shares of Sarasota common stock surrendered in connection with the Merger. The Exchange Agent will mail a detailed explanation of these arrangements to Sarasota shareholders promptly following the Effective Date. **Stock certificates should not be sent to the Exchange Agent until such notice is received.**

Treatment of Sarasota Options

Cash-out of Options. As of the date of this Proxy Statement-Prospectus, Sarasota had granted options to three employees (the Sarasota Options), which entitle the holders thereof to acquire up to 64,216 shares of Sarasota common stock. Christine L. Jennings holds options to purchase 36,715 shares, Paul D. Thatcher holds options to purchase 25,001 shares and Susan Flynn holds options to purchase 2,500 shares of Sarasota common stock. Each holder of Sarasota Options has agreed with BancGroup to exchange his or her Sarasota Options for the right to receive a cash payment on the Effective Date. The amount of such cash payment is equal to \$62.11 multiplied by the number of shares of Sarasota common stock that would have been issued if such Sarasota Options had been exercised less the aggregate exercise price. Pursuant to these agreements, Christine L. Jennings, Paul D. Thatcher and Susan Flynn are expected to receive \$1,867,228, \$1,248,468 and \$125,025 respectively, at the completion of the Merger in exchange for their Sarasota options.

The Sarasota Options are issuable pursuant to the Sarasota Bancorporation 1998 Stock Option Plan, (the Option Plan). The Option Plan is not qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended, nor subject to the Employee Retirement Income Security Act of 1974. Sarasota Options are not transferable except under the laws of descent and distribution or the prior approval of the Sarasota Board of Directors.

The Sarasota Options are incentive stock options under Section 422 of the Internal Revenue Code. Upon exercise of such an option, ordinary income would not normally result to the optionee even if the price of the options is lower than the fair market value of the stock subject to the option at the date of exercise provided certain timing requirements are met. However, income could be recognized for alternative minimum tax purposes upon a exercise. No income for regular federal income tax purposes would be realized until the holder actually sells the stock obtained through the exercise of incentive stock options as long as such stock is held long enough. The foregoing statements concerning federal income tax treatment are necessarily general and may not apply in a particular instance. Holders of Sarasota options should contact their own professional tax advisors for advice concerning their particular tax situation.

Other Matters. It is not anticipated that BancGroup will make any reports to option holders regarding the amount or status of Sarasota Options held. Option holders may obtain such information from BancGroup at the address given above on page 7 of this Proxy Statement-Prospectus.

Certain Federal Income Tax Consequences

The Merger is intended to qualify as a reorganization for federal income tax purposes under Section 368(a)(1)(A) of the Internal Revenue Code of 1986, as amended (the Code). The obligation of each of Sarasota and BancGroup to consummate the Merger is conditioned on the receipt of an opinion from PricewaterhouseCoopers LLP, BancGroup's independent public accountant, to the effect that the Merger will

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constitute such a reorganization. BancGroup has received this opinion. In delivering its opinion, PricewaterhouseCoopers LLP received and relied upon certain representations contained in certificates of officers of BancGroup and Sarasota and certain other information, data, documentation and other materials as it deemed necessary. The tax opinion is based upon customary assumptions contained therein, including the assumption that Sarasota has no knowledge of any plan or intention on the part of the Sarasota shareholders to sell or dispose of BancGroup common stock that would reduce their holdings to the number of shares having in the aggregate a fair market value of less than 50% of the total fair market value of the Sarasota common stock outstanding immediately upon consummation of the Merger.

Neither Sarasota nor BancGroup intends to seek a ruling from the IRS as to the federal income tax consequences of the Merger. Shareholders of Sarasota should be aware that the opinion from PricewaterhouseCoopers LLP will not be binding on the IRS or the courts. Shareholders of Sarasota also should be aware that some of the tax consequences of the Merger are governed by provisions of the Code as to which there are no final regulations and little or no judicial or administrative guidance. There can be no assurance that future legislation, administrative rulings, or court decisions will not adversely affect the accuracy of the statements contained herein.

The tax opinion states that, provided the assumptions stated therein are satisfied, the Merger will constitute a reorganization as defined in Section 368(a) of the Code, and the following federal income tax consequences will result to Sarasota shareholders who exchange their shares of Sarasota common stock for shares of BancGroup common stock:

- (i) No gain or loss will be recognized by BancGroup or Sarasota as a result of the Merger;

- (ii) The Sarasota shareholders will not recognize any gain related to BancGroup common stock received in exchange for their shares of Sarasota common stock. The Sarasota shareholders will recognize gain, but in an amount not in excess of the fair market value of the consideration, other than BancGroup common stock, received in exchange for their shares of Sarasota common stock. This gain may be characterized as capital gain or ordinary income.

- (iii) The tax basis of the BancGroup common stock received by each Sarasota shareholder will equal the tax basis of such shareholder's Sarasota shares surrendered in the Merger, decreased by the fair market value of the consideration (other than BancGroup common stock) and the amount of cash received by such Sarasota shareholder in the Merger and increased by (i) the amount of gain, if any, recognized by such Sarasota shareholder on the receipt of such other consideration and (ii) the amount, if any, which is treated as a dividend;

- (iv) The holding period of the BancGroup common stock received by the Sarasota shareholders will include the holding period during which the Sarasota common stock surrendered in exchange therefore was held, provided that such stock is held as a capital asset in the hands of the Sarasota shareholders on the date of the exchange under Internal Revenue Code Section 1223(1); and

- (v) The cash received by a Sarasota shareholder in lieu of a fractional share interest of BancGroup common stock will be treated as having been received as a distribution in full payment in exchange for the fractional share interest of BancGroup stock which he or she would otherwise be entitled to receive and will qualify for either capital gain or loss treatment, provided that such stock is held as a capital asset in the hands of the Sarasota shareholder on the date of the exchange under Internal Revenue Code Section 1223(1).

Each Sarasota shareholder will be required to report on such shareholder's federal income tax return for the fiscal year of such shareholder in which the Merger occurs that such shareholder has received BancGroup common stock in a reorganization.

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF MATERIAL FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER TO THE SHAREHOLDERS OF SARASOTA, TO SARASOTA AND TO BANCGROUP AND DOES NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL POTENTIAL TAX EFFECTS OF THE MERGER. THE DISCUSSION DOES NOT ADDRESS THE

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TAX CONSEQUENCES THAT MAY BE RELEVANT TO A PARTICULAR SHAREHOLDER SUBJECT TO SPECIAL TREATMENT UNDER CERTAIN FEDERAL INCOME TAX LAWS, SUCH AS DEALERS IN SECURITIES, BANKS, INSURANCE COMPANIES, TAX-EXEMPT ORGANIZATIONS, NON-UNITED STATES PERSONS, STOCKHOLDERS WHO DO NOT HOLD THEIR SHARES OF SARASOTA COMMON STOCK AS CAPITAL ASSETS WITHIN THE MEANING OF SECTION 1221 OF THE CODE, AND SHAREHOLDERS WHO ACQUIRED THEIR SHARES OF SARASOTA COMMON STOCK PURSUANT TO THE EXERCISE OF OPTIONS OR OTHERWISE AS COMPENSATION, NOR ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCALITY OR FOREIGN JURISDICTION; MOREOVER, THE TAX CONSEQUENCES TO HOLDERS OF SARASOTA OPTIONS ARE NOT DISCUSSED. THE DISCUSSION IS BASED UPON THE CODE, TREASURY REGULATIONS THEREUNDER AND ADMINISTRATIVE RULINGS AND COURT DECISIONS AS OF THE DATE HEREOF. ALL OF THE FOREGOING IS SUBJECT TO CHANGE, AND ANY SUCH CHANGE COULD AFFECT THE CONTINUING VALIDITY OF THIS DISCUSSION. SARASOTA SHAREHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE MERGER TO THEM.

Other Possible Consequences

If the Merger is consummated, the shareholders of Sarasota, a Florida corporation, will become shareholders of BancGroup, a Delaware business corporation. For a discussion of the differences, if any, in the rights, preferences, and privileges attaching to Sarasota common stock as compared with BancGroup common stock, see Comparative Rights of Stockholders.

Conditions to Consummation of the Merger

The parties' respective obligations to consummate the Merger are subject to the satisfaction (or waiver, to the extent permitted by law) of various conditions set forth in the Agreement.

The obligations of Sarasota and BancGroup to consummate the Merger are conditioned upon, among other things, (i) the approval of the Agreement by the holders of at least a majority of the outstanding shares of Sarasota common stock; (ii) the notification to, or approval of the Merger by, the Board of Governors of the Federal Reserve System, and the Florida Department of Banking and Finance; (iii) the absence of pending or threatened litigation with a view to restraining or prohibiting consummation of the Merger or to obtain divestiture, rescission or damages in connection with the Merger; (iv) the absence of any investigation by any governmental agency which might result in any such proceeding; (v) consummation of the Merger no later than March 31, 2004; and (vi) receipt of opinions of counsel regarding certain matters. The Agreement permits the parties to waive, in writing, conditions for the consummation of the Merger other than those required by law.

The obligation of Sarasota to consummate the Merger is further subject to several other conditions, including: (i) the absence of any material adverse change in the financial condition or affairs of BancGroup; (ii) the shares of BancGroup common stock to be issued under the Agreement shall have been approved for listing on the NYSE; and (iii) the accuracy in all material respects of the representations and warranties of BancGroup contained in the Agreement and the performance by BancGroup of all of its covenants and agreements under the Agreement.

The obligation of BancGroup to consummate the Merger is subject to several other conditions, including: (i) the absence of any material adverse change in the financial condition or affairs of Sarasota; (ii) the number of shares as to which holders of Sarasota common stock exercise dissenters' rights not exceeding 10% of the outstanding shares of Sarasota common stock; (iii) the accuracy in all material respects of the representations and warranties of Sarasota contained in the Agreement, (iv) the performance by Sarasota of all of its covenants and agreements under the Agreement, including certain restrictions on Sarasota's conduct of its business; and (v) the receipt of the consent to the Merger and

assignment of lease of the lessor of Sarasota s office.

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It is anticipated that the foregoing conditions, as well as certain other conditions contained in the Agreement, such as the receipt of certificates of officers of each party as to compliance with the Agreement and satisfaction of each party of all representations, warranties and covenants, will either be satisfied or waived by the parties. The Agreement provides that each of Sarasota and BancGroup may waive all conditions to its respective obligation to consummate the Merger, other than the receipt of the requisite approvals of regulatory authorities and approval of the Agreement by the shareholders of Sarasota. In making any decision regarding a waiver of one or more conditions to consummation of the Merger or an amendment of the Agreement, the Boards of Directors of Sarasota and BancGroup would be subject to the fiduciary duty standards imposed upon such boards by relevant law that would require such boards to act in the best interests of their respective shareholders.

Amendment or Termination of Agreement

To the extent permitted by law, the Agreement may be amended by a subsequent writing signed by each of the parties upon the approval of the Boards of Directors of each of the parties. However, after approval of the Agreement by the holders of Sarasota common stock, no amendment decreasing the consideration to be received by Sarasota shareholders may be made without the further approval of such shareholders. The Agreement may be terminated at any time prior to or on the Effective Date, whether before or after approval of the Agreement by the shareholders of Sarasota, by the mutual consent of the respective Boards of Directors of Sarasota and BancGroup or by the Board of Directors of either BancGroup or Sarasota under certain circumstances including, but not limited to: (i) a material breach which cannot or has not been cured within 30 days of notice of such breach being given by the non-breaching party, (ii) failure to consummate the transactions contemplated under the Agreement by March 31, 2004, provided that such failure to consummate is not caused by any breach of the Agreement by the party electing to terminate and (iii) if Sarasota enters into a binding agreement with any third party to merge with, or sell control to, that third party. In that event, BancGroup will have the right to receive a payment of \$2,500,000 from Sarasota or its acquiror.

Commitment with Respect to Other Offers

Until the earlier of the Effective Date or, subject to certain limitations, the termination of the Agreement, neither Sarasota nor any of its directors or officers (or any person representing any of the foregoing) may solicit or encourage inquiries or proposals with respect to, furnish any information relating to or participate in any negotiations or discussions concerning, any acquisition or purchase of all or of a substantial portion of the assets of, or of a substantial equity interest in, Sarasota or any business combination involving Sarasota (collectively, an Acquisition Proposal) other than as contemplated by the Agreement. Sarasota is required to notify BancGroup immediately if any such inquiries or proposals are received by Sarasota, if any such information is requested from Sarasota, or if any such negotiations or discussions are sought to be initiated with Sarasota. Sarasota is required to instruct its officers, directors, agents or affiliates or their subsidiaries to refrain from doing any of the above. Sarasota may communicate information about an Acquisition Proposal to its shareholders if and to the extent that Sarasota's legal counsel advises Sarasota that it is required to do so in order to comply with its legal obligations.

If Sarasota enters into a letter of intent or a definitive agreement to be acquired by any party other than BancGroup prior to the closing of the merger or the termination of the Agreement, or, under certain circumstances, if Sarasota is acquired by a party other than BancGroup within twelve months after the termination of the Agreement, then BancGroup shall be entitled to receive a payment of \$2,500,000 (the Termination Fee). Such payment shall compensate BancGroup for its direct and indirect costs and expenses associated with pursuing the merger and BancGroup's loss as a result of the failure to complete the merger. The Termination Fee may also have the effect of increasing the likelihood that the Merger will be consummated by making it more difficult and expensive for any third party to acquire control of Sarasota while BancGroup is seeking to consummate the Merger.

Regulatory Approvals

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An application must be filed with the Federal Reserve pursuant to Section 3 of the Bank Holding Company Act of 1956, as amended (the BHCA) and the regulations promulgated pursuant thereto for its prior approval

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of the Merger. In addition, approval of the Merger must be obtained from the Florida Department of Banking and Finance (the Florida Department).

Simultaneously with or subsequent to the Merger, it is anticipated that Sarasota Bank will be merged with and into Colonial Bank, N.A. (the Bank Merger). Prior to the consummation of the Bank Merger, the approval of the Bank Merger by the Office of the Comptroller of the Currency (the OCC) must be obtained, and notice of the Bank Merger must be filed with the Florida Department. With respect to the Bank Merger, an application will be filed with the OCC, and a notification will be filed with the Florida Department, on or about August 15, 2003. With respect to the Merger, an application was filed with the Federal Reserve on August 11, 2003, and an application was filed with the Florida Department on August 14, 2003. The regulatory approval process is expected to take approximately six weeks from this date.

Federal Reserve Approval. Pursuant to Section 3 of the BHCA, and the regulations promulgated pursuant thereto, the approval of the Federal Reserve must be obtained prior to completion of the Merger. The Federal Reserve must withhold approval of the Merger if it finds that the transaction will result in a monopoly or be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any part of the United States. In addition, the Federal Reserve may not approve the Merger if it finds that the effect thereof may be substantially to lessen competition in any section of the country, or tend to create a monopoly, or would in any other manner be in restraint of trade, unless it finds that the anti-competitive effects of the Merger are clearly outweighed by the probable effect of the Merger in meeting the convenience and needs of the communities to be served. The Federal Reserve will also take into consideration the financial condition and managerial resources of BancGroup, its subsidiaries, any banks related to BancGroup through common ownership or management, and Sarasota Bank. Finally, the Federal Reserve will consider the convenience and needs of the communities to be served and the compliance records of Colonial Bank, N.A. and Sarasota Bank under the Community Reinvestment Act.

In addition, the Federal Reserve is expressly permitted to approve applications under Section 3 of the BHCA for a bank holding company that is adequately capitalized and adequately managed to acquire control of a bank located in a state other than the home state of such bank holding company (an Interstate Acquisition), without regard to whether such transaction is prohibited under the law of any state. However, if the law of the state in which the target bank is located requires the target bank to have been in existence for some minimum period of time, the Federal Reserve is prohibited from approving an application by a bank holding company to acquire such target bank if such target bank does not satisfy this state law requirement, so long as the state law specifying such minimum period of time does not specify a period of more than five years.

Also, the Federal Reserve is prohibited from approving an Interstate Acquisition if the acquiring bank holding company controls, or upon consummation of the acquisition, would control, more than 10% of the total amount of deposits of insured depository institutions in the United States. Finally, subject to certain exceptions, the Federal Reserve may not approve an application pertaining to an Interstate Acquisition if, among other things, the bank holding company, upon consummation of the acquisition, would control 30% or more of the total amount of deposits of insured depository institutions in the state where the target bank is located.

The BHCA provides for the publication of notice and public comment on the application and authorizes the Federal Reserve to permit interested parties to intervene in the proceedings. If an interested party is permitted to intervene, such intervention could delay the regulatory approval required for consummation of the Merger. Section 11 of the BHCA imposes a waiting period which prohibits the consummation of the Merger, in ordinary circumstances, for a period ranging from 15 to 30 days following the Federal Reserve's approval of the Merger. During such period, the United States Department of Justice, should it object to the Merger for antitrust reasons, may challenge the consummation of the Merger.

Florida Department Approval. The Florida Department must approve the change of control of the Sarasota Bank which would be effected by the Merger. Under Section 658.28 of the Florida Banking Code, the

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Florida Department shall issue a Certificate of Approval for a change of control of a Florida state bank only after it has made an investigation and has determined that the proposed new owner of a controlling interest of such Florida state bank is qualified by reputation, character, experience and financial responsibility to control and operate the bank in a legal and proper manner and that the interest of the other shareholders, if any, and the depositors and creditors of the bank and the interest of the public generally will not be jeopardized by the proposed change in ownership, controlling interest or management.

In addition, pursuant to Section 658.295 of the Florida Banking Code, the Florida Department shall not permit the Merger unless the Bank has been in existence and continuously operating, on the date of its acquisition, for more than three years. Also, the Florida Department shall not permit the Merger if, upon consummation of the transaction, BancGroup, including all of its insured depository institutions that would be affiliates, as defined in 12 U.S.C. (S) 1841 (k), would control 30% or more of the total amount of deposits held by all insured depository institutions in the State of Florida.

OCC Approval. Pursuant to Section 18(c) of the Federal Deposit Insurance Act (the Bank Merger Act) and OCC regulations promulgated pursuant thereto, the OCC's prior approval of the Bank Merger must be obtained. The OCC is prohibited from approving the Bank Merger if it would result in a monopoly or would be in furtherance of any combination or conspiracy to monopolize or to attempt to monopolize the business of banking in any part of the United States. In addition, the OCC is prohibited from approving the Bank Merger if its effect, in any section of the country, would be substantially to lessen competition, or to tend to create a monopoly, or which in any other manner would be in restraint of trade, unless it finds that the anti-competitive effects of the Bank Merger are clearly outweighed in the public interest by the probable effect of the Bank Merger in meeting the convenience and needs of the community to be served. The OCC is required to take into consideration the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. Finally, the OCC will consider the compliance records of the applicant bank and target bank under the Community Reinvestment Act.

In that the Bank Merger constitutes an interstate bank merger, certain additional requirements are applicable to the Bank Merger. For example, the OCC is prohibited from approving the Bank Merger if the bank resulting from the Bank Merger, including all insured depository institutions which are affiliates of such resulting bank, upon consummation of the transaction, would control more than 10% of the total amount of deposits of insured depository institutions in the United States. The OCC is also prohibited from approving the Bank Merger if either party to the Bank Merger has a branch in any state in which any other bank involved in the Bank Merger has a branch, and the resulting bank, upon consummation of the Bank Merger, would control 30% or more of the total amount of deposits of insured depository institutions in any such state. Finally, the OCC may approve the interstate bank merger only if each bank involved in the transaction is adequately capitalized as of the date the application is filed, and the OCC determines that the resulting bank will continue to be adequately capitalized and adequately managed upon consummation of the Bank Merger.

The Bank Merger Act and the OCC regulations promulgated pursuant thereto provide for the publication of notice and public comment on the application and authorizes the OCC to permit interested parties to intervene in the proceedings. If an interested party is permitted to intervene, such intervention could delay the regulatory approval required for consummation of the Bank Merger. The Bank Merger Act imposes a waiting period which

prohibits consummation of the Bank Merger, in ordinary circumstances, for a period ranging from 15 to 30 days following the OCC's approval of the Bank Merger. During such period, the United States Department of Justice, should it object to the Bank Merger for antitrust reasons, may challenge the consummation of the Bank Merger.

The merger agreement provides that the obligation of each of BancGroup and Sarasota to consummate the Merger is conditioned upon the receipt of all necessary regulatory approvals to merge Sarasota with and into BancGroup. The approval of the Bank Merger is not required to consummate the Merger. There can be no assurance that the applications necessary for BancGroup to consummate the Merger will be approved, and, if such approvals are received, that such approvals will not be conditioned upon terms and conditions that would cause the parties to abandon the Merger.

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Any approval received from bank regulatory agencies reflects only their view that the Merger does not contravene applicable competitive standards imposed by law, and that the Merger is consistent with regulatory policies relating to safety and soundness. THE APPROVAL OF THE BANK REGULATORY AGENCIES IS NOT AN ENDORSEMENT OR RECOMMENDATION OF THE MERGER.

BancGroup is not aware of any governmental approvals or actions that may be required for consummation of the Merger except for the prior approval of the Federal Reserve and the Florida Department. Should any such approval or action be required, it is presently contemplated that such approval or action would be sought.

Supervision and Regulation

Colonial Bank filed an application with the OCC to convert to a national bank on July 2, 2003. The application was approved by the OCC by a letter dated as of July 30, 2003. Colonial Bank consummated its conversion to a national bank on August 8, 2003. As a result, Colonial Bank (now, Colonial Bank, N.A.) is no longer subject to supervision and examination by the Federal Reserve and the Alabama State Banking Department. Rather, upon conversion, it became subject to supervision and examination by the OCC.

Conduct of Business Pending the Merger

The Agreement contains certain restrictions on the conduct of the business of Sarasota pending consummation of the Merger. The Agreement prohibits Sarasota from taking, without the prior written consent of BancGroup, any of the following actions, prior to the Effective Date, subject to certain limited exceptions previously agreed to by BancGroup and Sarasota:

- (i) Issuing, delivering or agreeing to issue or deliver any stock, bonds or other corporate securities (whether authorized and unissued or held in the treasury), except shares of Sarasota common stock issued upon the exercise of Sarasota Options;
- (ii) Borrowing or agreeing to borrow any funds or incurring or becoming subject to, any liability (absolute or contingent) except borrowings, obligations and liabilities incurred in the ordinary course of business and consistent with past practice;
- (iii) Paying any material obligation or liability (absolute or contingent) other than current liabilities reflected in or shown on the most recent balance sheet and current liabilities incurred since that date in the ordinary course of business and consistent with past practice;
- (iv) Declaring or making or agreeing to declare or make, any payment of dividends or distributions of any assets of any kind whatsoever to shareholders, or purchasing or redeeming or agreeing to purchase or redeem, any of its outstanding securities;
- (v) Except in the ordinary course of business, selling or transferring or agreeing to sell or transfer, any of its assets, property or rights or canceling, or agreeing to cancel, any debts or claims;

(vi) Except in the ordinary course of business, entering or agreeing to enter into any agreement or arrangement granting any preferential rights to purchase any of its assets, property or rights or requiring the consent of any party to the transfer and assignment of any of its assets, property or rights;

(vii) Waiving any rights of value which in the aggregate are material considering the business as a whole;

(viii) Except in the ordinary course of business, making or permitting any amendment or termination of any contract, agreement or license to which it is a party if such amendment or termination is material considering its business as a whole;

(ix) Except in accordance with past practice, making any accrual or arrangement for or payment of bonuses or special compensation of any kind or any severance or termination pay to any present or former

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officer or employee, except that Sarasota may pay a special retention bonus to certain employees if such employees are still employed by Sarasota at the completion of the merger and as long as the aggregate of such bonuses does not exceed \$100,000;

(x) Except in accordance with past practice, increasing the rate of compensation payable to or to become payable to any of its officers or employees or making any material increase in any profit-sharing, bonus, deferred compensation, savings, insurance, pension, retirement or other employee benefit plan, payment or arrangement made to, for or with any of its officers or employees;

(xi) Failing to operate its business in the ordinary course so as to preserve its business intact and to preserve the goodwill of its customers and others with whom it has business relations;

(xii) Entering into any other material transaction other than in the ordinary course of business; and

(xiii) Agreeing in writing, or otherwise, to take any action described in clauses (i) through (xii) above.

The Agreement provides that prior to the Effective Date, no director or officer of Sarasota or any of its subsidiaries shall, directly or indirectly, own, manage, operate, join, control, be employed by or participate in the ownership, proposed ownership, management, operation or control of or be connected in any manner with, any business, corporation or partnership which is competitive to the business of Sarasota or its subsidiaries.

The Agreement also provides that (i) at the request of BancGroup, Sarasota will consult with BancGroup and advise BancGroup in advance of all loan requests outside the ordinary course of business or in excess of \$250,000 that are not single-family residential loan requests; and (ii) Sarasota will consult with BancGroup respecting business issues that Sarasota believes should be brought to the attention of BancGroup.

Indemnification

BancGroup has agreed to indemnify for six years present and former directors and officers of Sarasota and the Bank against liabilities arising out of actions or omissions occurring at or prior to the Effective Date to the maximum extent provided in the FBCA and the Articles of Incorporation and Bylaws of Sarasota.

Rights of Dissenting Shareholders

Holders of Sarasota common stock as of the Record Date are entitled to dissenters' rights of appraisal under Florida law. Consummation of the Merger is subject to, among other things, the holders of no more than 10% of the outstanding Sarasota common stock electing to exercise their dissenters' rights. **Pursuant to Section 607.1320 of the FBCA, a Sarasota shareholder who does not wish to accept the shares of BancGroup common stock to be received pursuant to the terms of the Agreement may dissent from the Merger and elect to receive the fair value of his shares as of the day prior to the date the Merger is approved by Sarasota shareholders. Such fair value is exclusive of**

any appreciation or depreciation in anticipation of the Merger, unless exclusion would be inequitable.

In order to exercise appraisal rights, a dissenting shareholder of Sarasota (a Dissenting Shareholder) must strictly comply with the statutory procedures of Sections 607.1320, 607.1301 and 607.1302 of the FBCA, which are summarized below. A copy of the full text of those Sections is attached hereto as Appendix B. **Shareholders of Sarasota are urged to read Appendix B in its entirety and to consult with their legal advisors. Each shareholder of Sarasota who desires to assert his or her appraisal rights is cautioned that failure on his or her part to adhere strictly to the requirements of Florida law in any regard will cause a forfeiture of any appraisal rights.**

Procedures for Exercising Dissenters' Rights of Appraisal. The following summary of Florida law is qualified in its entirety by reference to the full text of the provisions of the FBCA attached hereto as Appendix B.

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1. A Dissenting Shareholder must file with Sarasota, prior to the taking of the vote on the Merger, a written notice of intent to demand payment for his or her shares if the Merger is effectuated. A vote against the Merger will not alone be deemed to be the written notice of intent to demand payment. A Dissenting Shareholder need not vote against the Merger, but cannot vote for the Merger.

2. Within ten days after the vote on the Merger is taken, Sarasota must give written notice of the authorization of the Merger, if obtained, to each Sarasota shareholder who filed notice of intent to demand payment for his shares. WITHIN 20 DAYS AFTER THE GIVING OF THE FOREGOING NOTICE BY SARASOTA, EACH DISSENTING SHAREHOLDER MUST FILE WITH SARASOTA A NOTICE OF ELECTION TO DISSENT, STATING HIS OR HER NAME AND ADDRESS, THE NUMBER OF SHARES AS TO WHICH HE OR SHE DISSENTS AND A DEMAND FOR PAYMENT OF THE FAIR VALUE OF HIS OR HER SHARES. ANY DISSENTING SHAREHOLDER FAILING TO FILE SUCH ELECTION WITHIN THE PERIOD WILL LOSE HIS OR HER APPRAISAL RIGHTS AND BE BOUND BY THE TERMS OF THE AGREEMENT. A Dissenting Shareholder filing an election to dissent must also deposit the certificate(s) representing his or her shares with Sarasota simultaneously with the filing of the election.

3. Upon filing a notice of election to dissent, a Dissenting Shareholder shall thereafter be entitled only to payment pursuant to the procedure set forth in the applicable sections of FBCA and shall not be entitled to vote or to exercise any other rights of a shareholder. A notice of election may be withdrawn in writing by the Dissenting Shareholder at any time before an offer is made by Sarasota to pay for shares. Upon such withdrawal, the right of the Dissenting Shareholder to be paid the fair value of his or her shares will cease, and he or she will be reinstated as a shareholder.

4. Within 10 days after the expiration of the period in which a Dissenting Shareholder may file notice of election to dissent, or within ten days after the Effective Date of the Merger, whichever is later (but in no event later than 90 days after the Merger is approved), Sarasota (or BancGroup after the Effective Date) must make a written offer to each Dissenting Shareholder who has made demand for appraisal for his or her shares at a price deemed by Sarasota (or BancGroup, if appropriate) to be the fair value thereof.

5. If, within 30 days after the making of such offer, the Dissenting Shareholder accepts the offer, payment for the shares of the Dissenting Shareholder is to be made within 90 days after the making of such offer or the effective date of the Merger, whichever is later. Upon payment of the agreed value, the Dissenting Shareholder will cease to have any interest in such shares.

6. If Sarasota (or BancGroup, if appropriate) fails to make such offer within the period specified above or if it makes an offer and a Dissenting Shareholder fails to accept the same within a period of 30 days thereafter, then Sarasota, within 30 days after receipt of written demand from any Dissenting Shareholder given within 60 days after the date on which the Merger was effected, shall, or at its election at any time within such period of 60 days may, file an action in any court of competent jurisdiction in Sarasota County requesting that the fair value of such shares be determined by the Court.

7. If Sarasota fails to institute such proceeding within the above-prescribed period, any Dissenting Shareholder may do so in the name of Sarasota. A copy of the initial pleading will be served on each Dissenting Shareholder. Sarasota is required to pay each Dissenting Shareholder the amount found to be due within 10 days after final determination of the proceedings. Upon payment of the judgment, the Dissenting Shareholder ceases to have any interest in such shares.

8. The costs and expenses of the court proceeding are determined by the court and will be assessed against Sarasota (or BancGroup, if appropriate) except that all or any part of such costs and expenses may be apportioned and assessed against any Dissenting Shareholders who are parties to the proceeding and to whom Sarasota has made an offer to pay for their shares, if the court finds their refusal to accept such offer

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to have been arbitrary, vexatious or not in good faith. Expenses include reasonable compensation for, and expenses of, appraisers, but shall exclude the fees and expenses of counsel for, and experts employed by, any party. If the value of the shares, as determined by the court, materially exceeds the amount that Sarasota offered to pay for the shares or if no offer was made then the court may, in its discretion, award to any Dissenting Shareholder who is a party to the proceedings, such sum as the court may determine to be reasonable compensation to any attorney or expert employed by the Dissenting Shareholder in the proceeding.

Any Dissenting Shareholder who perfects his or her right to be paid the value of his or her shares will recognize gain or loss, if any, for federal income tax purposes upon the receipt of cash for such shares. The amount of gain or loss and its character as ordinary or capital gain or loss will be determined in accordance with applicable provisions of the Code. See Certain Federal Income Tax Consequences.

BECAUSE OF THE COMPLEXITY OF THE PROVISIONS OF THE FLORIDA LAW RELATING TO DISSENTERS APPRAISAL RIGHTS, SHAREHOLDERS WHO ARE CONSIDERING DISSENTING FROM THE MERGER ARE URGED TO CONSULT THEIR OWN LEGAL ADVISERS.

Resale of BancGroup Common Stock Issued in the Merger

The issuance of the shares of BancGroup common stock pursuant to the Merger (including any shares to be issued pursuant to Sarasota Options) has been registered under the Securities Act of 1933 (the Securities Act). As a result, shareholders of Sarasota who are not affiliates of Sarasota (as such term is defined under the Securities Act) may resell, without restriction, all shares of BancGroup common stock which they receive in connection with the Merger. Under the Securities Act, only affiliates of Sarasota are subject to restrictions on the resale of the BancGroup common stock which they receive in the Merger.

The BancGroup common stock received by affiliates of Sarasota (primarily officers, directors and principal shareholders) who do not also become affiliates of BancGroup after the consummation of the Merger may not be sold except pursuant to an effective registration statement under the Securities Act covering such shares or in compliance with Rule 145 under the Securities Act or another applicable exemption from the registration requirements of the Securities Act. Generally, Rule 145 permits BancGroup common stock held by such shareholders to be sold in accordance with certain provisions of Rule 144 under the Securities Act. In general, these provisions of Rule 144 permit a person to sell on the open market in brokers or certain other transactions within any three-month period a number of shares that does not exceed the greater of 1% of the then outstanding shares of BancGroup common stock or the average weekly trading volume in BancGroup common stock reported on the NYSE during the four calendar weeks preceding such sale. Sales under Rule 144 are also subject to the availability of current public information about BancGroup. The restrictions on sales will cease to apply under most circumstances once the former Sarasota affiliate has held the BancGroup common stock for at least one year. BancGroup common stock held by affiliates of Sarasota who become affiliates of BancGroup, if any, will be subject to additional restrictions on the ability of such persons to resell such shares.

Sarasota has provided BancGroup with the identity of those persons who may be deemed to be affiliates of Sarasota. Sarasota has obtained from each such person a written undertaking to the effect that no sale or transfer will be made of any shares of BancGroup common stock by such person except pursuant to Rule 145 or pursuant to an effective registration statement or an exemption from registration under the Securities Act.

Accounting Treatment

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BancGroup will account for the Merger as a purchase transaction in accordance with generally accepted accounting principles. Under this accounting treatment, and in accordance with Statement of Financial Accounting Standards No. 141, *Business Combinations*, the purchase price will be assigned to the fair value of

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the net tangible and identifiable intangible assets acquired, with any amounts in excess thereof being assigned to goodwill. The valuation of intangibles, if any, will be made as of the Effective Date of the merger. In accordance with Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, qualifying intangibles, such as core deposit intangibles, will be amortized by charges to future earnings over their expected useful lives. The remaining goodwill will be capitalized and evaluated for impairment on an annual basis, or if circumstances arise in which it is more likely than not the fair value of the related reporting unit has been reduced. If such goodwill were to be deemed impaired, such impairment would be measured and any such amount would be charged against current earnings.

NYSE Reporting of BancGroup Common Stock Issued in the Merger

Sales of BancGroup common stock to be issued in the Merger in exchange for shares of Sarasota common stock will be listed on the NYSE.

Table of Contents**COMPARATIVE MARKET PRICES AND DIVIDENDS**

BancGroup. BancGroup common stock is listed for trading on the NYSE under the symbol CNB. The following table indicates the high and low sales prices of the BancGroup common stock as reported on the NYSE and dividends paid since January 1, 2001.

	Price Per Share of		Dividends Per Share
	Common Stock		
	High	Low	
2001			
First Quarter	\$ 13.12	\$ 10.75	\$.12
Second Quarter	14.75	12.05	.12
Third Quarter	14.94	12.02	.12
Fourth Quarter	14.98	12.07	.12
2002			
First Quarter	15.19	13.47	.13
Second Quarter	16.11	14.41	.13
Third Quarter	14.65	12.03	.13
Fourth Quarter	12.85	11.01	.13
2003			
First Quarter	12.79	10.63	.14
Second Quarter	14.24	11.20	.14
Third Quarter (through August 12, 2003)	15.06	13.79	.14

On June 25, 2003, the business day immediately prior to the public announcement of the Merger, the closing price of the BancGroup common stock on the NYSE was \$13.93 per share. The following table presents the market value per share of BancGroup common stock on that date, and the market value and equivalent per share value of Sarasota common stock on that date:

	BancGroup Common Stock(1)	Sarasota Common Stock(2)	Equivalent Price Per Sarasota Share(3)
Comparative Market Value	\$ 13.93	\$ 22.00	\$ 62.11

- (1) Closing price as reported by the NYSE on June 25, 2003.
- (2) There is no established public trading market for the shares of Sarasota common stock. The value shown is the price at which shares of Sarasota common stock were sold on March 19, 2003, which was the last sale price prior to the public announcement of the Merger on June 25, 2003, of which management of Sarasota is aware.
- (3) If the Merger had closed on June 25, 2003, and assuming that the Market Value as that term is defined herein had also been \$13.93, 4.4587 shares of BancGroup common stock would have been exchanged for each share of Sarasota common stock.

Sarasota. There is no established public trading market for Sarasota's common stock. Sarasota paid its first annual dividend on May 15, 2003 of \$0.10 per share. The Agreement provides that Sarasota may not pay any further cash dividends. However, if the merger is not completed prior

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to the record date for BancGroup's regular quarterly cash dividend that is anticipated to be declared on October 15, 2003, with a record date of October 24, 2003, if such dividend is actually declared, then after the completion of the merger, each Sarasota shareholder will receive a cash payment equal to the per share amount of such dividend multiplied by the number of shares of BancGroup common stock that such shareholder receives after the completion of the merger.

Table of Contents**BANCGROUP CAPITAL STOCK AND LONG TERM DEBT**

BancGroup's authorized capital stock consists of 200,000,000 shares of BancGroup common stock, par value \$2.50 per share and 1,000,000 shares of preferred stock, \$2.50 par value per share. As of June 30, 2003, there were outstanding a total of 124,255,988 shares of BancGroup common stock. No shares of Preference Stock are issued and outstanding. Additionally, BancGroup has various issuances of long term debt outstanding at June 30, 2003 summarized as follows and described more fully below, under BancGroup debt.

	June 30,
	2003
	(in thousands)
Variable Rate Subordinated Debentures	\$ 7,725
Subordinated Notes	277,818
Trust Preferred Securities	201,490
FHLB Borrowings	1,287,008
Total	\$ 1,774,041

The following statements with respect to BancGroup common stock and Preference Stock are brief summaries of material provisions of Delaware law, the Restated Certificate of Incorporation (the BancGroup Certificate), as amended, and Bylaws of BancGroup, do not purport to be complete and are qualified in their entirety by reference to the foregoing.

BancGroup Common Stock

Dividends. Subject to the rights of holders of Preferred Stock, if any, to receive certain dividends prior to the declaration of dividends on shares of BancGroup common stock, when and as dividends, payable in cash, stock or other property, are declared by the BancGroup Board of Directors, the holders of BancGroup common stock are entitled to share ratably in such dividends.

Voting Rights. Each holder of BancGroup common stock has one vote for each share held on matters presented for consideration by the stockholders.

Preemptive Rights. The holders of BancGroup common stock have no preemptive rights to acquire any additional shares of BancGroup.

Issuance of Stock. The BancGroup Certificate authorizes the Board of Directors of BancGroup to issue authorized shares of BancGroup common stock without stockholder approval. However, BancGroup's Common Stock is listed on the NYSE, which requires stockholder approval of the issuance of additional shares of BancGroup common stock under certain circumstances.

Liquidation Rights. In the event of liquidation, dissolution or winding-up of BancGroup, whether voluntary or involuntary, the holders of BancGroup common stock will be entitled to share ratably in any of its assets or funds that are available for distribution to its stockholders after the satisfaction of its liabilities (or after adequate provision is made therefor) and after preferences of any outstanding Preferred Stock.

Preferred Stock

The Preferred Stock (which is denominated in the BancGroup Certificate of Incorporation as Preference Stock) may be issued from time to time as a class without series, or if so determined by the Board of Directors of BancGroup, either in whole or in part in one or more series. The voting rights, and such designations, preferences and relative, participating, optional or other special rights, if any, and the qualifications, limitations or restrictions thereof, if any, including, but not limited to, the dividend rights, conversion rights, redemption

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rights and liquidation preferences, if any, of any wholly unissued series of Preferred Stock (or of the entire class of Preferred Stock if none of such shares has been issued), the number of shares constituting any such series and the terms and conditions of the issue thereof may be fixed by resolution of the Board of Directors of BancGroup. Preferred Stock may have a preference over the BancGroup common stock with respect to the payment of dividends and the distribution of assets in the event of the liquidation or winding-up of BancGroup and such other preferences as may be fixed by the Board of Directors of BancGroup.

BancGroup Debt

In connection with the ASB Bancshares, Inc. acquisition, on February 5, 1998, BancGroup issued \$7,725,000 of variable rate subordinated debentures due February 5, 2008 (1998 Debentures). These variable rate subordinated debentures bear interest equal to the New York Prime Rate minus 1% (but in no event less than 7% per annum).

On March 15, 1999, BancGroup issued \$100 million of subordinated notes, due March 15, 2009. The notes bear interest at 8.00% and are not subject to redemption prior to maturity.

On May 23, 2001, Colonial Bank, N.A. issued \$150 million in 9.375% subordinated notes due June 1, 2011. This debt qualifies as Tier II capital. In connection with this issuance, BancGroup executed an interest rate swap whereby BancGroup will receive a fixed rate and pay a floating rate, effectively converting the fixed rate notes to floating. The result of this interest rate swap created an effective floating rate of 3-month LIBOR plus 3.28%, which as of June 30, 2003 was 4.57%. The fair market value of the swap at June 30, 2003 was \$27.8 million.

On January 29, 1997, BancGroup issued, through a special purpose trust, \$70 million of Trust Preferred Securities. The securities bear interest at 8.92% and are subject to redemption by BancGroup, in whole or in part at any time after January 29, 2007 until maturity in January 2017. It is unlikely that redemption will occur prior to maturity. On May 14, 2002, BancGroup executed an interest rate swap whereby BancGroup will receive a fixed rate and pay a floating rate, effectively converting the fixed rate notes to floating. The result of this interest rate swap created an effective floating rate of 3-month LIBOR plus 2.23%, which as of June 30, 2003 was 3.51%. The fair market value of the swap at June 30, 2003 was \$9.9 million.

On March 21, 2002, BancGroup issued, through a special purpose trust, \$100 million of Trust Preferred Securities. The securities bear interest at 8.32% and are subject to redemption by BancGroup, in whole or in part at any time after April 1, 2007 until maturity in April 2032. It is unlikely that redemption will occur prior to maturity. In connection with this issuance, BancGroup executed an interest rate swap whereby BancGroup will receive a fixed rate and pay a floating rate, effectively converting the fixed rate notes to floating. The result of this interest rate swap created an effective floating rate of 3-month LIBOR plus 1.40%, which as of June 30, 2003 was 2.69%. The fair market value of the swap at June 30, 2003 was \$13.6 million.

In March 2002, BancGroup added \$8 million in Trust Preferred Securities as part of the acquisition of Mercantile. The securities bear interest at a quarterly adjusted rate of prime plus 1.25%, which as of June 30, 2003 was 5.25%. These securities mature in September 2032.

The subordinated debentures, notes and Trust Preferred Securities described above are subordinate to substantially all remaining liabilities of BancGroup.

BancGroup had long-term FHLB Borrowings outstanding of \$1,287,008 at June 30, 2003. These borrowings bear interest rates of 1.08% to 7.53% and mature from 2004 to 2013.

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Changes in Control

Certain provisions of the BancGroup Certificate and the BancGroup Bylaws may have the effect of preventing, discouraging or delaying any change in control of BancGroup. The authority of the BancGroup Board of Directors to issue BancGroup Preferred Stock with such rights and privileges, including voting rights, as it may deem appropriate in order to enable BancGroup's Board of Directors to prevent a change in control despite a shift in ownership of the BancGroup common stock. See Preferred Stock. In addition, the power of BancGroup's Board of Directors to issue additional shares of BancGroup common stock may help delay or deter a change in control by increasing the number of shares needed to gain control. See BancGroup Common Stock. The following provisions also may deter any change in control of BancGroup.

Classified Board. BancGroup's Board of Directors is classified into three classes, as nearly equal in number as possible, with the members of each class elected to three-year terms. Thus, one-third of BancGroup's Board of Directors is elected by stockholders each year. With this provision, two annual elections are required in order to change a majority of the Board of Directors. There are currently 18 directors of BancGroup. This provision of the BancGroup Certificate also stipulates that (i) directors can be removed only for cause upon a vote of 80% of the voting power of the outstanding shares entitled to vote in the election of directors, voting as a class, (ii) vacancies in the Board of Directors may only be filled by a majority vote of the directors remaining in office, (iii) the maximum number of directors shall be fixed by resolution of the Board of Directors, and (iv) the provisions relating to the classified Board of Directors can only be amended by the affirmative vote of the holders of at least 80% of the voting power of the outstanding shares entitled to vote in the election of directors, voting as a class.

Business Combinations. Certain Business Combinations of BancGroup with a Related Person may only be undertaken with the affirmative vote of at least 75% of the outstanding shares of Voting Stock, plus the affirmative vote of at least 67% of the outstanding shares of Voting Stock, not counting shares owned by the Related Person, unless the Continuing Directors of BancGroup approve such Business Combination. A

Related Person is a person, or group, who owns or acquires 10% or more of the outstanding shares of BancGroup common stock, provided that no person shall be a Related Person if such person would have been a Related Person on the date of approval of this provision by BancGroup's Board of Directors, i.e., April 20, 1994. An effect of this provision may be to exclude Robert E. Lowder, the current Chairman and Chief Executive Officer of BancGroup, and certain members of his family from the definition of Related Person. A Continuing Director is a director who was a member of the Board of Directors immediately prior to the time a person became a Related Person. This provision may not be amended without the affirmative vote of the holders of at least 75% of the outstanding shares of Voting Stock, plus the affirmative vote of the outstanding shares of at least 67% of the outstanding Voting Stock, excluding shares held by a Related Person. This provision may have the effect of giving the incumbent Board of Directors a veto over a merger or other Business Combination that could be desired by a majority of BancGroup's stockholders. As of February 20, 2003, the Board of Directors of BancGroup owned approximately 6.9% of the outstanding shares of BancGroup common stock.

Board Evaluation of Mergers. The BancGroup Certificate permits the Board of Directors to consider certain factors such as the character and financial stability of the other party, the projected social, legal, and economic effects of a proposed transaction upon the employees, suppliers, regulatory agencies and customers and communities of BancGroup, and other factors when considering whether BancGroup should undertake a merger, sale of assets, or other similar transaction with another party. This provision may not be amended except by the affirmative vote of at least 80% of the outstanding shares of BancGroup common stock. This provision may give greater latitude to the Board of Directors in terms of the factors which the board may consider in recommending or rejecting a merger or other Business Combination of BancGroup.

Director Authority. The BancGroup Certificate prohibits stockholders from calling special stockholders' meetings and acting by written consent. It also provides that only BancGroup's Board of Directors has the

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authority to undertake certain actions with respect to governing BancGroup such as appointing committees, electing officers, and establishing compensation of officers, and it allows the Board of Directors to act by majority vote.

Bylaw Provisions. The BancGroup Bylaws provide that stockholders wishing to propose nominees for the Board of Directors or other business to be taken up at an annual meeting of BancGroup shareholders must comply with certain advance written notice provisions. These bylaw provisions are intended to provide for the more orderly conduct of stockholders' meetings but could make it more difficult for shareholders to nominate directors or introduce business at shareholders' meetings.

Delaware Business Combination Statute. Subject to some exceptions, Delaware law prohibits BancGroup from entering into certain business combinations (as defined) involving persons beneficially owning 15% or more of the outstanding BancGroup common stock (or one who is an affiliate of BancGroup and has over the past three years beneficially owned 15% or more of such stock) (either, for the purpose of this paragraph, an Interested Stockholder), unless the Board of Directors has approved either (i) the business combination or (ii) prior to the stock acquisition by which such person's beneficial ownership interest reached 15% (a Stock Acquisition), the Stock Acquisition. The prohibition lasts for three years from the date of the Stock Acquisition. Notwithstanding the preceding, Delaware law allows BancGroup to enter into a business combination with an Interested Stockholder if (i) the business combination is approved by BancGroup's Board of Directors and authorized by an affirmative vote of at least two-thirds of the outstanding voting stock of BancGroup which is not owned by the Interested Stockholder or (ii) upon consummation of the transaction which resulted in the shareholder becoming an Interested Stockholder, such shareholder owned at least 85% of the outstanding BancGroup common stock (excluding BancGroup common stock held by officers and directors of BancGroup or by certain BancGroup stock plans). These provisions of Delaware law apply simultaneously with the provisions of the BancGroup Certificate relating to business combinations with a related person, described above at Business Combinations, but they are generally less restrictive than the BancGroup Certificate.

Control Acquisitions. As it relates to BancGroup, the Change in Bank Control Act of 1978 prohibits a person or group of persons from acquiring control of a bank holding company unless the Federal Reserve has been given 60 days' prior written notice of such proposed acquisition and within that time period the Federal Reserve has not issued a notice disapproving the proposed acquisition or extending for up to another 30 days the period during which such a disapproval may be issued. An acquisition may be made prior to the expiration of the disapproval period if the Federal Reserve issues written notice of its intent not to disapprove the action. Under a rebuttable presumption established by the Federal Reserve, the acquisition of more than 10% of a class of voting stock of a bank holding company with a class of securities registered under Section 12 of the Exchange Act, such as BancGroup, would, under the circumstances set forth in the presumption, constitute the acquisition of control. The receipt of revocable proxies, provided the proxies terminate within a reasonable time after the meeting to which they relate, is not included in determining percentages for change in control purposes.

COMPARATIVE RIGHTS OF SHAREHOLDERS

If the Merger is consummated, shareholders of Sarasota (except those perfecting dissenters' rights) will become holders of BancGroup common stock. The rights of the holders of the Sarasota common stock who become holders of BancGroup common stock following the Merger will be governed by the BancGroup Certificate and the BancGroup Bylaws, as well as the laws of Delaware, the state in which BancGroup is incorporated.

The following summary compares the rights of the holders of Sarasota common stock with the rights of the holders of the BancGroup common stock. For a more detailed description of the rights of the holders of BancGroup common stock, including certain features of the BancGroup Certificate and the DGCL that might limit the circumstances under which a change in control of BancGroup could occur, see BancGroup Capital Stock and Debentures.

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The following information is qualified in its entirety by the BancGroup Certificate and the BancGroup Bylaws, and the Sarasota Articles of Incorporation and Bylaws, the DGCL and the FBCA.

Director Elections

Sarasota. Sarasota's directors are elected to terms of three years with approximately one-third of the Board elected annually. There is no cumulative voting in the election of directors.

BancGroup. BancGroup's directors are elected to terms of three years with approximately one-third of the Board to be elected annually. There is no cumulative voting in the election of directors. See *BancGroup Capital Stock and Debentures* *Changes in Control* *Classified Board*.

Removal of Directors

Sarasota. Sarasota's Articles of Incorporation provide that a director may be removed from office, with or without cause, by the affirmative vote of not less than 75% of the outstanding shares entitled to vote in the election of directors.

BancGroup. The BancGroup Certificate provides that a director may be removed from office, but only for cause and by the affirmative vote of the holders of at least 80% of the voting shares then entitled to vote at an election of directors.

Voting

Sarasota. Each shareholder of Sarasota is entitled to one vote for each share of Sarasota Common Stock held, and such holders are not entitled to cumulative voting rights in the election of directors.

BancGroup. Each stockholder of BancGroup is entitled to one vote for each share of BancGroup Common Stock held, and such holders are not entitled to cumulative voting rights in the election of directors.

Preemptive Rights

Sarasota. The holders of Sarasota common stock have no preemptive rights to acquire any additional shares of Sarasota's common stock.

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BancGroup. The holders of BancGroup common stock have no preemptive rights to acquire any additional shares of BancGroup Common Stock or any other shares of BancGroup capital stock.

Directors Liability

Sarasota. Under the Florida Business Corporation Act (the "FBCA"), a director of Sarasota is not personally liable for monetary damages to Sarasota or any other person for any action taken by such director, unless: (i) such director breached or failed to perform his or her duties as a director, and (ii) such director's breach or failure to perform constitutes:

a violation of criminal law, unless the director had reasonable cause to believe his or her actions were lawful or had no reasonable cause to believe his or her conduct was unlawful;

a transaction from which the director received, directly or indirectly, an improper personal benefit;

an unlawful distribution under the FBCA; and

in any derivative action, conscious disregard for the best interest of the corporation, or willful misconduct; and in any proceeding other than a derivative proceeding, recklessness.

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BancGroup. The BancGroup Certificate provides that a director of BancGroup will have no personal liability to BancGroup or its stockholders for monetary damages for breach of fiduciary duty as a director except (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) for the payment of certain unlawful dividends and the making of certain stock purchases or redemptions, or (iv) for any transaction from which the director derived an improper personal benefit. This provision would absolve directors of personal liability for negligence in the performance of duties, including gross negligence. It would not permit a director to be exculpated, however, for liability for actions involving conflicts of interest or breaches of the traditional duty of loyalty to BancGroup and its stockholders, and it would not affect the availability of injunctive or other equitable relief as a remedy.

Indemnification

Sarasota. Sarasota's Bylaws provide that directors, officers, employees and agents of Sarasota shall be indemnified against expenses, judgments, fines and settlements in connection with litigation arising out of their service to Sarasota. Such indemnification is available if the proposed indemnified party acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of Sarasota and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. In actions brought by or in the right of Sarasota, no indemnification shall be made in respect of any claim, issue or matter as to which such person has been adjudged to be liable to Sarasota unless and only to the extent that the court in which the action was brought determines upon application that in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper. In addition, indemnification is only available to the extent authorized by: (i) a majority vote of the members of the Board of Directors who are not parties to such action; (ii) a special committee comprised of at least two members of the Board of Directors who are not parties to such action; (iii) independent legal counsel appointed by the Board of Directors; or (iv) a majority vote of the Sarasota shareholders who are not parties to such action.

To the extent that the proposed indemnified party has been successful on the merits or otherwise in defense of any action, suit or proceeding (or any claim, issue or matter therein), he or she must be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

BancGroup. The BancGroup Certificate provides that directors, officers, employees and agents of BancGroup shall be indemnified to the full extent permitted under the DGCL. Section 145 of the DGCL contains detailed and comprehensive provisions providing for indemnification of directors and officers of Delaware corporations against expenses, judgments, fines and settlements in connection with litigation. Under the DGCL, other than an action brought by or in the right of BancGroup, such indemnification is available if it is determined that the proposed indemnity acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of BancGroup and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. In actions brought by or in the right of BancGroup, such indemnification is limited to expenses (including attorneys' fees) actually and reasonably incurred in the defense or settlement of such action if the indemnity acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of BancGroup and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person has been adjudged to be liable to BancGroup unless and only to the extent that the Delaware Court of Chancery or the court in which the action was brought determines upon application that in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

To the extent that the proposed indemnity has been successful on the merits or otherwise in defense of any action, suit or proceeding (or any claim, issue or matter therein), he or she must be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

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BancGroup maintains an officers and directors insurance policy and a separate indemnification agreement pursuant to which officers and directors of BancGroup would be entitled to indemnification against certain liabilities, including reimbursement of certain expenses that extends beyond the minimum indemnification provided by Section 145 of the DGCL.

Special Meetings of Shareholders; Action Without a Meeting

Sarasota. Under Sarasota's Bylaws, a special meeting of Sarasota's shareholders may be called by the Board of Directors, the President or the Chairman of the Board, or by shareholders holding at least 10% of the shares entitled to vote at such meeting. Shareholders of Sarasota may take action by written consent in lieu of a meeting if such written consent is signed by shareholders having sufficient votes to approve such action at a shareholders meeting.

BancGroup. Under the BancGroup Certificate, a special meeting of BancGroup's stockholders may only be called by a majority of the BancGroup Board of Directors or by the chairman of the Board of Directors of BancGroup. Holders of BancGroup Common Stock may not call special meetings or act by written consent.

Mergers, Share Exchanges and Sales of Assets

Sarasota. The FBCA provides that mergers and sales of substantially all of the assets of Florida corporations must be approved by at least a majority of the outstanding shares of the corporation entitled to vote thereon. The FBCA also provides, however, that the shareholders of the corporation surviving a merger need not approve the transaction if: (i) the articles of incorporation of the surviving corporation will not differ from its articles of incorporation prior to the merger and (ii) each shareholder of the surviving corporation whose shares were outstanding immediately prior to the effective date of the merger will hold the same number of shares, with identical designations, preferences, limitations and relative rights, immediately after the merger.

BancGroup. The DGCL provides that mergers and sales of substantially all of the assets of Delaware corporations must be approved by a majority of the outstanding stock of the corporation entitled to vote thereon. The DGCL also provides, however, that the stockholders of the corporation surviving a merger need not approve the transaction if: (i) the agreement of merger does not amend in any respect the certificate of incorporation of such corporation; (ii) each share of stock of such corporation outstanding immediately prior to the effective date of the Merger is to be an identical outstanding or treasury share of the surviving corporation after the effective date of the Merger; and (iii) either no shares of common stock of the surviving corporation and no shares, securities or obligations convertible into such stock are to be issued or delivered under the plan of merger, or the authorized unissued shares or the treasury shares of common stock of the surviving corporation to be issued or delivered under the plan of merger plus those initially issuable upon conversion of any other shares, securities or obligations to be issued or delivered under such plan do not exceed 20% of the shares of common stock of such corporation outstanding immediately prior to the effective date of the Merger. See also BancGroup Capital Stock and Debentures Changes in Control for a description of the statutory provisions and the provisions of the BancGroup Certificate relating to changes of control of BancGroup.

Amendment of Certificate of Incorporation and Bylaws

Sarasota. Pursuant to the FBCA, a Florida corporation's articles of incorporation may be amended by the affirmative vote of the holders of a majority of the outstanding shares entitled to vote thereon, and a majority of the outstanding stock of each class entitled to vote as a class, unless

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the articles require the vote of a larger portion of the stock. Sarasota's Articles of Incorporation require the affirmative vote of at least 75% of the outstanding shares to amend or repeal any provision of, or adopt any provision inconsistent with, certain provisions in its Articles of Incorporation governing (i) the election or removal of directors, (ii) business combinations between Sarasota and an Interested Person, and (iii) the board of directors' evaluation of business combinations.

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Both the Board of Directors and shareholders of Sarasota have the power to adopt, amend or repeal Sarasota's Bylaws.

BancGroup. Under the DGCL, a Delaware corporation's certificate of incorporation may be amended by the affirmative vote of the holders of a majority of the outstanding shares entitled to vote thereon, and a majority of the outstanding stock of each class entitled to vote as a class, unless the certificate requires the vote of a larger portion of the stock. The BancGroup Certificate requires super-majority Stockholder approval to amend or repeal any provision of, or adopt any provision inconsistent with, certain provisions in the BancGroup Certificate governing (i) the election or removal of directors, (ii) business combinations between BancGroup and a Related Person, and (iii) board of directors evaluation of business combination procedures. See BancGroup Capital Stock and Debentures Changes in Control.

As is permitted by the DGCL, the Certificate gives the Board of Directors the power to adopt, amend or repeal the BancGroup Bylaws. The stockholders entitled to vote have concurrent power to adopt, amend or repeal the BancGroup Bylaws.

Rights of Dissenting Stockholders

Sarasota. Under the FBCA, dissenters' appraisal rights are available in connection with corporate actions involving certain mergers, share exchanges, consolidations, sales or other dispositions of all or substantially all of the property of the corporation (other than in the ordinary course of business), the approval of certain control-share acquisitions, and amendments of the articles of incorporation where such amendment would adversely affect the shareholder by:

altering or abolishing any preemptive rights attached to such shareholder's shares;

altering or abolishing the voting rights pertaining to such shareholder's shares, except as such rights may be affected by the voting rights of new shares then being authorized of any existing or new class or series of shares;

effecting an exchange, cancellation, or reclassification of any of such shareholder's shares, when such amendment would alter or abolish the shareholder's voting rights or alter his or her percentage of equity in the corporation, or effecting a reduction or cancellation of accrued dividends or other arrearages;

reducing the stated redemption price of any of the shareholder's redeemable shares, altering or abolishing any provision relating to any sinking fund for the redemption or purchase of any of his or her shares, or making any of the shareholder's shares subject to redemption when they are not otherwise redeemable;

making non-cumulative, in whole or in part, dividends on any of his or her preferred shares which had theretofore been cumulative;

reducing the dividend preference of any of his or her preferred shares; or

reducing any stated preferential amount payable on the shareholder's preferred shares upon voluntary or involuntary liquidation.

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BancGroup. Under the DGCL, a stockholder has the right, in certain circumstances, to dissent from certain corporate transactions and receive the fair value of his or her shares in cash in lieu of the consideration he or she otherwise would have received in the transaction. For this purpose, fair value may be determined by all generally accepted techniques of valuation used in the financial community, excluding any element of value arising from the accomplishment or expectation of the transaction, but including elements of future value that are known or susceptible of proof. Such fair value is determined by the Delaware Court of Chancery, if a petition for appraisal is timely filed. Appraisal rights are not available, however, to stockholders of a corporation (i) if the shares are listed on a national securities exchange (as is BancGroup common stock) or quoted on the Nasdaq

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NMS, or held of record by more than 2,000 stockholders (as is BancGroup common stock), and (ii) stockholders are permitted by the terms of the Merger or consolidation to accept in exchange for their shares (a) shares of stock of the surviving or resulting corporation, (b) shares of stock of another corporation listed on a national securities exchange or held of record by more than 2,000 stockholders, (c) cash in lieu of fractional shares of such stock, or (d) any combination thereof. Stockholders are not permitted appraisal rights in a merger if such corporation is the surviving corporation and no vote of its stockholders is required.

Preferred Stock

Sarasota. Sarasota's Articles of Incorporation authorize the issuance of up to 1,000,000 shares of preferred stock, par value \$.10, from time to time by resolution of the Board of Directors. Currently, no shares of preferred stock are issued and outstanding.

BancGroup. The BancGroup Certificate authorizes the issuance of 1,000,000 shares of Preference Stock from time to time by resolution of the Board of Directors of BancGroup. Currently, no shares of Preference Stock are issued and outstanding. See BancGroup Capital Stock and Debentures Preferred Stock.

Control Share Acquisitions

Sarasota. Section 607.0902 of the FBCA restricts the voting rights of certain shares of a corporation's stock when those shares are acquired by a party who, by such acquisition, would control at least 20% of all voting rights of the corporation's issued and outstanding stock. The statute provides that the acquired shares (the control shares) will, upon such acquisition, cease to have any voting rights. The acquiring party may, however, petition the corporation to have voting rights re-assigned to the control shares by way of an acquiring person's statement submitted to the corporation in compliance with the requirements of the statute. Upon receipt of such request, the corporation must submit, for shareholder approval, the acquiring person's request to have voting rights re-assigned to the control shares. Voting rights may be reassigned to the control shares by a resolution of a majority of the corporation's shareholders for each class and series of stock. If such a resolution is approved, and the voting rights re-assigned to the control shares represent a majority of all voting rights of the corporation's outstanding voting stock, then, unless the corporation's articles of incorporation or bylaws provide otherwise, all shareholders of the corporation shall be able to exercise dissenter's rights in accordance with Florida law.

BancGroup. For information with respect to provisions under BancGroup's governing documents and the DGCL regarding provisions which may have the effect of presenting, discouraging or delaying any change in control of BancGroup, see BancGroup Capital Stock and Debentures Changes in Control.

Transactions with Interested Persons

Sarasota. Sarasota's Articles of Incorporation contain provisions requiring approval by a majority of shares not held by an Interested Person to effect certain extraordinary corporate transactions between Sarasota and such Interested Person. Such transactions include:

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any merger or consolidation of Sarasota or any of its subsidiaries with or into any Interested Person, regardless of the identity of the surviving corporation;

the sale, lease or other disposition of all or any substantial part (assets having an aggregate fair market value of twenty-five percent (25%) of Sarasota's total assets) of Sarasota's assets or any of its subsidiaries to any Interested Person for cash, real or personal property, including securities, or any combination thereof; or

the issuance or delivery of voting securities of Sarasota or the voting securities of its subsidiaries to any Interested Person in consideration for or in exchange of any securities or other property (including cash).

An Interested Person includes any person who, as of the record date for the determination of shareholders entitled to notice of and to vote on any such extraordinary transaction, beneficially owns, directly or indirectly,

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5% or more of the shares of Sarasota entitled to vote in the election of directors. However, this provision of Sarasota's Articles of Incorporation does not apply if the consideration to be received by the Sarasota shareholders meets certain minimal levels determined by a formula set forth in the Articles of Incorporation (generally, the highest price paid by the Interested Person for any shares which he has acquired).

BancGroup. For information with respect to provisions under BancGroup's governing documents and the DGCL regarding provisions which may have the effect of presenting, discouraging or delaying any change in control of BancGroup, see *BancGroup Capital Stock and Debentures* Changes in Control.

Effect of the Merger on Sarasota Shareholders

As of June 30, 2003, Sarasota had 427 shareholders of record and 589,000 outstanding shares of common stock. As of June 30, 2003, there were 124,255,988 shares of BancGroup Common Stock outstanding held by approximately 9,117 stockholders of record.

Assuming that no dissenters' rights of appraisal are exercised in the Merger, that the Sarasota Options are cashed out, and the Market Value of BancGroup common stock is \$14.66 (the average closing price of BancGroup common stock for the ten trading day period ending five trading days before August 12, 2003) on the Effective Date, an aggregate number of 2,495,416 shares of BancGroup common stock would be issued to the shareholders of Sarasota pursuant to the Merger. These shares would represent approximately 1.97% of the total shares of BancGroup common stock outstanding after the Merger, not counting any shares of BancGroup common stock to be issued in other pending acquisitions.

The issuance of the BancGroup common stock pursuant to the Merger will reduce the percentage interest of the BancGroup common stock currently held by each principal stockholder and each director and officer of BancGroup. Based upon the foregoing assumptions as a group, the directors and executive officers of BancGroup who own approximately 6.9% of BancGroup's outstanding shares would own approximately 6.8% after the Merger. See *Business of BancGroup* Voting Securities and Principal Stockholders.

Table of Contents**BUSINESS OF BANCGROUP****General**

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., BancGroup conducts a general commercial banking business in the states of Alabama, Florida, Georgia, Nevada, Tennessee and Texas. At June 30, 2003, BancGroup had assets of \$16.2 billion.

As of June 30, 2003 Colonial Bank, N.A. has a total of 273 branches, with 121 branches in Alabama, 106 branches in Florida, 22 branches in Georgia, three branches in Tennessee, ten branches in Texas and 11 branches in Nevada. 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. Financial planning services include trust services and the sales of various types of investment products such as mutual funds, annuities, stocks, municipal bonds and U.S. government securities.

Voting Securities and Principal Stockholders

As of February 20, 2003, BancGroup had issued and outstanding 123,769,918 shares of BancGroup common stock with approximately 9,684 stockholders of record. Each such share is entitled to one vote. In addition, as of that date, 3,821,385 shares of BancGroup common stock were subject to issuance upon exercise of options pursuant to BancGroup's stock option plans and up to 433,000 shares of BancGroup common stock were issuable upon conversion of BancGroup's 1986 and 1994 Debentures (however, all of BancGroup's convertible debentures were either converted or redeemed in the second quarter of 2003). There are currently 200,000,000 shares of BancGroup common stock authorized.

The following table shows those persons who are known to BancGroup to be beneficial owners as of February 20, 2003 of more than five percent of outstanding BancGroup common stock.

<u>Name and Address</u>	<u>Common Stock</u>	<u>Percentage of Class Outstanding(1)</u>
Robert E. Lowder Post Office Box 1108 Montgomery, AL 36101	6,438,131(1)	5.2%

- (1) Includes 300,000 shares of common stock subject to options under BancGroup's stock option plans, excluding options that were not exercisable within 60 days of February 20, 2003, due to vesting requirements. In addition, the total includes 25,960 and 22,628 shares owned by Mr. Lowder's wife and stepson, respectively. Mr. Lowder disclaims beneficial ownership of these shares.

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Security Ownership of Management

The following table indicates for each director, executive officer, and all executive officers and directors of BancGroup as a group the number of shares of outstanding common stock of BancGroup beneficially owned as of February 20, 2003.

<u>Directors Name</u>	Shares of BancGroup Beneficially Owned	
	<u>Common</u>	<u>Percentage</u>