

**UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE
COMMISSION**

Admin. Proc. File No. 3-11814

In the Matter of

**COLUMBIA MANAGEMENT
ADVISORS, INC. AND COLUMBIA
FUNDS DISTRIBUTOR, INC.,**

Respondents.

PROPOSED PLAN OF DISTRIBUTION

I. Background

1.1. On February 9, 2005 the Securities and Exchange Commission (“SEC” or “Commission”) entered an order in this proceeding (the “Order”) reciting, among other things, that “[f]rom at least 1998 through October 2003, Columbia [Management] Advisors[, Inc.] and some of its predecessor entities (“Columbia Advisors”), the investment adviser to over 140 of the mutual funds in the Columbia mutual fund complex (the “Columbia Funds”), and Columbia [Funds] Distributor [,Inc.], the principal underwriter and distributor of those funds, violated antifraud provisions of the securities laws by allowing certain preferred customers to engage in short-term or excessive trading, contrary to the restrictions and/or representations set forth in the Columbia Funds’ prospectuses, that was detrimental to Columbia Funds but benefited respondents without disclosing these trading arrangements to fund shareholders or to fund trustees.” (Order ¶1). The Order required Respondents to pay \$70,000,000 in disgorgement and \$70,000,000 in civil money penalties, and established a Fair Fund consisting of the sum of those payments, for a total fund of \$140,000,000. (Order ¶IV(E)). The Order required an Independent Distribution Consultant (“IDC”) to develop a plan (the “Distribution Plan,” or “Plan”) for the distribution of the Fair Fund, “according to a methodology developed by the IDC in consultation with Respondents and the independent trustees of the Columbia Funds mutual funds and acceptable to the staff of the Commission.” (Order ¶67). Shortly after the entry of the Order, Professor Lawrence A. Hamermesh, Ruby R. Vale Professor of Corporate and Business Law at Widener University School of Law in

Wilmington, Delaware, was appointed as the IDC in this proceeding.¹ On February 25, 2005, Respondents deposited the amount of the Fair Fund (\$140,000,000) at the Bureau of Public Debt for investment in government obligations. Other than interest from these investments and funds to be received pursuant to the plan of distribution in the Bank of America/Nations Funds Proceeding, it is not anticipated that the Fair Fund will receive additional funds. If any other funds are received before distributions under this Plan have begun, such funds will be distributed by means of proportionally increasing distributions otherwise provided for in this Plan (§§7.3 - 7.7), or by such other means approved by the IDC in consultation with the Respondents, the trustees of the Columbia Funds, and the Commission or its staff. After distributions under this Plan have begun, the Fund does not intend to accept additional funds for distribution.

1.2. This Distribution Plan is the result of extensive consultation. Among other efforts, Professor Hamermesh:

- Met with Navigant Consulting, Inc. to review the analyses it prepared for the Independent Trustees of the Columbia Funds to assist with their evaluation of the effects of market timing activity in the Columbia Funds.
- Met and spoke with Respondents' economic adviser Lexecon, which has, at Professor Hamermesh's request and under his guidance, managed the trading data and developed and executed the numerical and financial analyses of that data.
- Retained Professor Erik R. Sirri, professor of finance at Babson College and former Chief Economist of the Commission, and consulted him on issues of financial and economic analysis associated with the development of the Distribution Plan with respect to distributions to Columbia Funds shareholders.

1.3. Before describing how this Distribution Plan allocates and distributes the Fair Fund, it is helpful to separate into two broad categories the trading addressed by the Order. The first category, identified here as "Arrangement Trading," involves market timing activity by nine entities with whom Respondent Columbia Funds Distributor, Inc. ("Columbia Distributor") was found to have entered into an arrangement or understanding allowing rapid trading in one or more of the Columbia Funds. (Order §§13-40). The second category involves market timing activity by persons with whom the Respondents had no

¹ Professor Hamermesh also serves as IDC for the fair fund established under the February 9, 2005 order in *In the Matter of Banc of America Capital Management, LLC, BACAP Distributors, LLC, and Banc of America Securities, LLC* (the "Bank of America/Nations Funds Proceeding"). That proceeding involves a separate fair fund from the fund established with respect to the Columbia Funds. As prescribed in the Order in this proceeding involving the Columbia Funds (§§67), Respondents have agreed to pay all compensation of and expenses incurred by Professor Hamermesh as IDC for the Columbia Funds Fair Fund.

arrangement or understanding with respect to short term trading. Because of the absence of any such arrangement or understanding, trading by these persons is described here as “Non-Arrangement Timing.” The persons who engaged in Non-Arrangement Timing in turn fall into two distinct categories: those (identified as “retail traders”) who traded through accounts held in their own names (“retail accounts”); and others (“omnibus traders”) who traded through accounts that aggregated trading and ownership by multiple beneficial owners (“omnibus accounts”). (Order ¶41).

II. Distribution Methodology – In General

2.1. The methodology for the distribution of the money in the Fair Fund is designed to provide compensation for dilution and related harm to contemporaneous long term fund shareholders arising from the two principal categories of trading identified in the Order. The term “contemporaneous,” as used in this Distribution Plan, refers to those persons who were fund shareholders at the time of the trading identified in the Order, regardless of whether such persons continued to hold fund shares thereafter.

2.2. The methodology employed in this Plan attempts to estimate, on a daily basis over the course of that trading, the extent to which a fund’s net asset value (NAV) would have been greater or less than the actual NAV had that trading not occurred. That difference (where positive) is the estimate of the dilution and related harm to the contemporaneous holders of the fund on each of the days on which such trading occurred. The sum of those daily increments (both positive and negative) represents the aggregate harm to each fund’s shareholders during the period in which timing trading occurred.²

2.3. The methods of calculation of each eligible contemporaneous shareholder’s share of the Fair Fund are intended to result in a payment from the Fair Fund to each such shareholder that restores the impaired value of such shareholder’s investment in a particular fund. The methods of calculation are intended by the Commission to fairly estimate the impaired value that each investor has suffered and to make a payment in that amount. In the view of the IDC, these methods of calculation are fair and reasonable in the context of this case, and result in a fair and reasonable allocation of the Fair Fund.

III. Estimation of Dilution and Related Harm to Contemporaneous Shareholders

² There may be instances of accounts for which the effect of timer trading was beneficial (and for which harm-based compensation would be inappropriate). Because of this possibility, it may also be the case that the other account holders’ share of estimated harm would in the aggregate exceed the aggregate amount estimated for the fund as a whole. At this point, however, it appears that such instances are both unusual and small in scope, and are not likely to have a substantial effect on the ultimate distribution.

A. Estimating Dilution

3.1. The starting point in estimating the dilution arising from timer trading is a determination of the net gains realized through that trading. Each timer's purchases and sales are formed into buy-sell pairs using a LIFO methodology.³

3.2. For any given mutual fund, if the funds a timer uses to purchase fund shares ("timer funds") were never invested in risky portfolio assets by the portfolio manager, timer net gains would accurately measure dilution to contemporaneous shareholders. To the extent, however, that timer funds were invested in risky assets, dilution may diverge from timer net gains. Accordingly, it is necessary to estimate the extent to which portfolio managers invested in (and sold) portfolio assets in response to timer investment (and sales).⁴

3.3. For each buy-sell pair, the mutual fund's incremental investment in risky assets is estimated by assuming that a constant fraction of the timer funds is invested in risky assets each day until either the timer funds are invested or the timer's shares are redeemed. When the timer's shares are redeemed, the portfolio manager is assumed to sell risky assets at the same rate to fund the redemption.⁵

3.4. To illustrate, take the case where a timer buys 10 fund shares for \$100 on day 1, sells those 10 shares on day 4 for \$110, and the estimated daily average investment rate is 10 percent per day. The model assumes the portfolio

³ Because of the focus on the actual dilutive impact on fund shareholders, aggregate timer gains and losses in each individual fund are netted through the period in which timer trading occurred.

⁴ See Greene, Jason T. and Ciccotello, Conrad S., "Mutual Fund Dilution from Market Timing Trades" (September 27, 2004). <http://ssrn.com/abstract=596482>

⁵ Daily average investment rates for use in this cash investment model and for calculating transaction costs are estimated from data on flows of money during 2002 and 2003 into 15 of the Columbia Funds and data on portfolio manager investments for those funds. The 15 funds were among those with the largest dilution.

Regression analysis is used to estimate the daily average investment rate where investment in risky assets is regressed on flows. The daily average investment rate is calculated by averaging the regression coefficients on the flow variables. Many regression specifications were tried, including regressions with lead and contemporaneous variables, and the specification that produced the highest daily average investment rate was used.

To measure typical portfolio manager reaction to recurring timer flows, outliers in the flow and investment data are removed. (For instance, investment rebalancing by large shareholders, such as pension plans, periodically caused large movements of assets between funds.)

Where flow or portfolio investment data are unavailable for a fund, a weighted average of the daily investment rates for the funds with available data is used, and a minimum investment rate of one percent per day is imposed. The overall dilution estimate is not sensitive to the daily average investment rate; doubling the rate reduces overall dilution by an insignificant amount.

manager invests \$10 per day in risky assets on days 2 through 4. Consequently, before the redemption on day 4, the fund holds \$30 of the timer funds in risky assets and \$70 in cash; and immediately after the redemption on day 4, the fund holds \$30 of the timer funds in risky assets and has a cash deficit of \$40 (= \$70 - \$110). On days 5 through 14, the portfolio manager is assumed to sell \$40 of risky assets at the rate of \$4 per day to offset the cash deficit and return the fund to its previous cash level.

3.5. To estimate the effect of the incremental investment in risky assets, the fund's profits and losses on the incremental investment are estimated for each day, and the total effect is the sum of the daily profits and losses. The effect of the incremental investment each day is estimated as the fund's return that day multiplied by the incremental investment in risky assets that day. For example, continuing the previous illustration, the fund's investment in risky assets is \$20 higher on day 3 than it would have been absent the timing activity. If the fund's return on day 3 was 1 percent, then the investment of the timer funds benefited the fund's shareholders that day by \$0.20 (= \$20 * .01); and if the fund's return on day 3 was -2 percent, then the timing activity harmed the fund's shareholders that day by \$0.40 (= \$20 * .02).

3.6. Last, the effects of all incremental investments are summed and added to the total net profits made by the timers (\$10 in this example) to arrive at an estimate of the total dilution harm to shareholders from the timing activity.

B. Estimating Transaction Costs Related to Timer Trading

3.7. The Order states that timer trading may have adversely affected the funds' NAV's in an additional way, aside from dilution (Order ¶19). To the extent that timer investment and disinvestment resulted in excess portfolio purchases and sales, the funds may have incurred transaction costs that reduced their NAV's. Such transaction costs can be estimated by comparing estimated transaction costs due to the funds' actual inflows and outflows to the estimated transaction costs that would have occurred had there been no timing activity. The difference between the two estimates of transaction costs is taken as the incremental transaction costs attributable to the timing activity.

3.8. Incremental transactions in response to a given inflow or outflow are modeled by assuming that the portfolio manager invests (or disinvests) in risky assets at the estimated daily investment rate until the flow is completely invested (or disinvested). For each inflow or outflow, this produces a series of daily investments or disinvestments. To get the total investment or disinvestment on any given day, all investments and disinvestments on that day due to all inflows and outflows are summed. Where there is investment due to previous inflows and disinvestment due to previous outflows, the investments and disinvestments are netted against each other for that day. Investments and disinvestments are not netted against each other across days.

3.9. Transaction costs are estimated from the daily series of net investments by multiplying the investment or disinvestment on each day by the transaction cost per dollar of investment or disinvestment. Total transaction costs are the sum of the daily transaction costs.

3.10. Transaction costs vary by fund type and time period. Funds are classified into four fund groups based on their Morningstar classification: U.S. Large-Cap, U.S. Small-Cap, International, and Bond. (When a fund's category cannot be identified, the U.S. Small-Cap classification is used.) Transaction costs for U.S. Large-Cap, U.S. Small-Cap and International funds are from Plexus and are the sum of "commissions" and "impact costs." Bond fund transaction costs are from Schultz, Paul, 2001, "Corporate Bond Trading Costs: A Peek Behind the Curtain," *The Journal of Finance* 56, 677– 698 at 677.

3.11. Applying the foregoing methodology to the data available for the Columbia Funds results in an estimate of transaction costs that is on average approximately 8% of dilution.

C. Interest

3.12. In order to make compensation on an equivalent basis for losses spread over time, and to provide appropriate compensation to long-term fund shareholders, it is necessary to make some adjustment for the time value of the estimated harms. Therefore, the methodology incorporated in this Distribution Plan builds in a component of interest on estimates of harm, accruing from the time of dilution harm through the date of payment into the Fair Fund. The rate of interest was selected to approximate Bank of America's cost of unsecured borrowing,⁶ and is estimated by reference to the Merrill Lynch index of 1-3 year A-rated corporate debt over the course of the period in which timer trading occurred.

IV. Application of the Methodology to Arrangement Trading

4.1. As previously noted, the first category of trading addressed in this Distribution Plan is the Arrangement Trading (*i.e.*, market timing activity by the nine entities identified in the Order (¶¶13-40) with whom Respondent Columbia Distributor was found to have entered into an arrangement or understanding allowing rapid trading in one or more of the Columbia Funds). Some of the entities that engaged in Arrangement Trading made purchases and sales that involved "sticky" assets (*i.e.*, long term investments) in the very funds in which the Arrangement Trading occurred (*see, e.g.*, Order ¶¶16, 23, 34, 37). Accordingly, and to focus the ultimate distribution on contemporaneous fund

⁶ See Knoll, Michael S. and Colon, Jeffrey M. Colon Miguel, "The Calculation of Prejudgment Interest" (May 31, 2005). <http://ssrn.com/abstract=732765>.

holders adversely affected by excessive rapid trading (as opposed to trading in “sticky” assets), the methodology for measuring the impact of Arrangement Trading includes all matched buy and sell pairs except those in which the holding period exceeded 21 trading days.

4.2. The result of this approach to Arrangement Trading is a distributional allocation in the aggregate amount (including transaction costs and interest) of approximately \$32.6 million. In addition to that allocation, this Distribution Plan will also return, to contemporaneous holders of the funds affected by such trading, advisory and administrative fees paid by those funds to Respondents Columbia Advisors and Columbia Distributors as a result of the investment of timer funds during the periods in which the Arrangement Trading in those funds occurred. Order ¶¶49-50. Over the 1999-2003 time period, such fees amounted to approximately \$500,000. Taken together with the allocation attributable to dilution and related harm, the total allocation proposed with respect to Arrangement Trading is approximately \$33.1 million.

V. Application of the Methodology to Non-Arrangement Timing

5.1. The balance of the Fair Fund will be applied to the Non-Arrangement Timing. While such trading is only briefly mentioned in the Order (¶41), it accounts for the largest portion of the allocation contemplated in the Distribution Plan, and presents a distinct set of challenges. Although the Order notes numbers of round trips in the Columbia Funds in non-omnibus accounts, and notes that omnibus accounts also made numerous round trips, it does not specify, for purposes of the distribution of the Fair Fund, which of those round trips were by market timers and which of these round trips should result in an allocation from the Fair Fund.

5.2. Likewise, although the Order mentions round trips in both omnibus and retail accounts, there are obvious differences between the two types of accounts from the perspective of identifying and policing market timing. The aggregated nature of omnibus accounts may mask market timing at the sub-account level. For example, it might not be apparent to an advisor or distributor that a buy through an omnibus account is “matched” at the sub-account level with a subsequent sale through the same omnibus account. Moreover, while it might be appropriate to shut down a retail account when there is a pattern of short term trading, that might not be an appropriate response in the omnibus account situation due to the consequences to innocent long-term investors holding through the omnibus account.

5.3. Accordingly, in identifying the trading with respect to which dilution and related harm should be estimated, the IDC requested an examination of the entire set of trading data in the Columbia Funds over an extended time frame (1998-2003). Trading through Banc of America Securities (compensation for which is being addressed in the Bank of America/Nations Funds distribution plan)

was then excluded from that data set. In addition, trading in 1998 was also excluded for a variety of reasons, including: (1) the data suggest that the short term trading prior to January 1, 1999 was relatively insignificant, and (2) as reflected in the Order, nearly all of the Arrangement Trading occurred after January 1, 2000.

5.4. For the remaining trading, certain criteria were selected and applied to these data to identify the trading in respect of which compensation is to be made under this Plan. In the absence of evidence of specific relevant communications with specific fund holders as to their investment motivations, no set of criteria for identifying market timing accounts can possibly be completely accurate. Accordingly, the application of any set of criteria to the remaining trading will probably result in the inclusion of some trades that were not driven by market timing considerations, and the exclusion of some trades that were. The criteria selected in this Plan, therefore, seek to draw distinctions among accounts based on observable behavior, reasonably inferable investment motivation, and reasonable expectations concerning the Respondents' ability to have halted observable market timing activity. The goal in selecting these criteria is to arrive at some reasonable way to allocate the Fair Fund so that distributions to contemporaneous shareholders are directed to the funds and shareholders most heavily affected by Non-Arrangement Timing.

5.5. The criteria selected are:

(1) Exclude all purchase/sale pairs in which the holding period exceeded seven trading days, and exclude all trading in any account in which there was never a purchase/sale pair involving amounts greater than \$100,000 and \$50,000 respectively.⁷

(2) For each fund, and for those purchase/sale pairs that satisfy the criteria in the preceding paragraph, identify the first observance of two round trips in a retail account in a quarter (on a rolling basis), or, if none, the first five round trips in a retail account in a year (on a rolling basis), and exclude those trades and any prior trades.

(3) Exclude purchase/sale pairs in omnibus accounts where the date of the purchase does not coincide with a date of a purchase in a buy/sell pair in the same fund that is identified as Arrangement Trading or trading in a retail account identified pursuant to the two criteria noted above.⁸

⁷ The selected period is shorter than the comparable period selected for Arrangement Trading, because it is intended to retrospectively identify market timing accounts, rather than distinguish market timing activity from long-term investment activity in the case of known market timers.

⁸ In late 2002 the Columbia Funds imposed redemption fees on short-term trading of international funds by retail accounts, which resulted in a substantial reduction in timing trades by those accounts. All omnibus trading pairs that meet criterion 1 above for international funds after those fees were imposed on retail accounts were included in identifying Non-Arrangement Timing.

(4) For each fund, and for those trades that satisfy the previous criteria, identify the first observance of five round trips in an omnibus account in a quarter (on a rolling basis), or, if none, the first ten round trips in an omnibus account in a year (on a rolling basis), and exclude those trades and any prior trades.

VI. De Minimis Analysis and Prioritization

6.1. The foregoing analysis, taken together with the analysis of Arrangement Trading, yields an estimate of total dilution for each of the Columbia Funds. (See Table 2). This Distribution Plan excludes from the distribution those Columbia Funds in which the estimate of aggregate dilution harm from 1999 through 2003 was less than either \$100,000 or 0.2% of average fund assets. This approach excludes a large number of the Columbia Funds for which trading data were studied (see Table 2). Many of these funds are focused on investments that do not fluctuate rapidly in value or otherwise do not offer significant opportunity for profitable market timing activity (e.g., municipal bonds, or domestic large cap stocks).

6.2. The remaining Columbia Funds are identified as “Participating Funds.” (See Table 1). Of these Participating Funds, the first priority for distribution will be to the funds in which there was estimated dilution on account of Arrangement Trading. Distribution in respect of the remaining Participating Funds will be made, in descending order of estimated dilution as a percentage of average fund assets, to the point that a minimum of \$4 million (plus attributed interest thereon since February 25, 2005) remains in the Fair Fund as a holdback described in paragraph 7.8 below. Table 1 sets forth the Participating Funds in the order of priority of distribution as explained above.

VII. Administration of the Distribution

A. Allocating the Distributions Among Contemporaneous Shareholders.

7.1. Application of the methodology described above permits the calculation of a distribution amount, by date, for each of the funds affected by the identified timer trading. In turn, each holder of shares in one or more of those funds during the period affected by timer trading will be identified in order to determine that holder’s appropriate allocation of the Fair Fund. There are a number of difficulties, however, in simply directing payment of those amounts to those holders. The balance of this Distribution Plan addresses these and other aspects of implementation and administration of the Plan.

7.2. This Fair Fund is not being distributed according to a claims-made process, so the procedures for providing notice and for making and approving claims are not applicable.

7.3. Under this Distribution Plan there will be no distribution to any of the nine persons identified in the Order as having engaged in late trading or market timing. Similarly, but with the caveat noted below, there will be no distribution to any person or entity identified as the holder of a retail account identified as a market timing account using the criteria described above. Such persons or entities will be notified that they are not to receive a distribution unless they present to the IDC, within a 60-day period after notice, evidence demonstrating to the satisfaction of the IDC that their trading was not motivated by timing considerations. The IDC will evaluate and determine the merits of each such presentation within 30 days after its submission, and will advise the presenter, the Respondents and the Commission of the determination promptly upon making it. The aggregate of amounts excluded on the foregoing basis will be disbursed in accordance with paragraph 7.8 below.

7.4. Returns on the Fair Fund that have accrued since its establishment in February 2005 through the date of approval of the Distribution Plan will be allocated in proportion to the allocation otherwise contemplated under the Plan.

7.5. In any given fund there will be holders identified for whom the estimated distribution is so small that it would be impractical and ineffective to send a check. In general, no distribution of less than \$10 will be made. Two steps will be taken, however, to minimize the number of such *de minimis* situations, and maximize the number of individual holders who will be receiving a distribution: (i) an effort will be made to identify, by common social security number or other administratively feasible mechanism, instances in which distribution amounts attributable to an individual shareholder in multiple affected funds can be aggregated into a single amount in excess of \$10; and (ii) other accounts for which the distribution would amount to less than \$10 will be aggregated, with the resulting sum distributed in \$10 units to the holders of those accounts, in descending order of attributable dilution harm.

B. Distributions to Omnibus Accounts and Retirement Accounts.

7.6. (a) For distributions with respect to omnibus accounts (but not for ordinary trusts, pension plans and 529 plans), it will be necessary to evaluate the cost associated with commercially reasonable best efforts to identify and distribute funds to contemporaneous beneficial owners.

(b) If the aggregate amount of the distribution attributable to a particular omnibus account is \$1,000 or more, the account holder will be contacted in order to determine an appropriate method for distributing the funds to contemporaneous beneficial owners holding through the omnibus account. Unless the account holder agrees to distribute the funds to beneficial owners at its own expense, in accordance with the specifications supplied by or on behalf of the IDC, the account holder will be asked to estimate the costs of commercially reasonable efforts to identify and distribute funds to the beneficial owners.

(c) If the aggregate amount of the distribution with respect to an omnibus account exceeds such costs, the omnibus account holder will be asked to elect, within 45 days after notice of the proposed distribution, whether to (i) supply to the IDC the sub-account information necessary for the IDC to distribute funds to the beneficial owners, (ii) supply such information to the IDC, who will calculate the amount of distributions to beneficial owners so that the account holder can make such distributions itself, or (iii) distribute the funds itself, using specifications supplied by or on behalf of the IDC as necessary to determine the appropriate allocation of the funds among contemporaneous beneficial owners holding through the omnibus account. In any of these three cases, Respondents will reimburse the omnibus account holder for the reasonable out of pocket costs of gathering and supplying the necessary sub-account information. If the omnibus account makes no election within the time specified in this subparagraph, it will be deemed to have elected to proceed under subparagraph (i) of this paragraph.

(d) If the omnibus account holder elects to proceed under subparagraph (c)(ii) or (c)(iii), the account holder may either send a check to the beneficial owner or, if the beneficial owner has a current sub-account, credit that sub-account. Except where the omnibus account holder credits current sub-accounts in lieu of sending checks, it will be required to develop and execute a program similar to the one described in paragraph 7.5(ii) for dealing with individual distributions of less than \$10.

(e) If the aggregate amount of the distribution attributable to a particular omnibus account is less than either (a) \$1,000 or (b) the costs of commercially reasonable efforts to identify and distribute funds to contemporaneous beneficial owners, the omnibus account holder will be given the choice of refusing the distribution or applying any distribution technique, at its own expense, that the account holder, in the exercise of its reasonable discretion, deems to be consistent with its fiduciary, contractual or other legal obligations. If the omnibus account holder refuses the distribution, the otherwise distributable amount will be added to the holdback described in paragraph 7.8.

(f) For purposes of this paragraph, “commercially reasonable best efforts” to identify and distribute funds to beneficial owners in omnibus accounts involve assembly, in appropriate format, of (i) names, addresses and other necessary identifying information for beneficial owners, and (ii) daily records (or, if daily records are not available, the most extensive records (monthly, quarterly or yearly) that are available) of each such owner’s fund share balance during the period to which the distribution in question relates. The foregoing information provided by omnibus account holders shall be maintained confidentially and held exclusively by the Fund Administrator, and Respondents shall not have access to that information. Respondents and the Fund Administrator shall maintain records of efforts made to obtain the cooperation of omnibus account holders, and of the responses to these efforts.

(g) If the distribution to an omnibus account holder is less than the payments to beneficial owners calculated in accordance with the specifications

supplied by the IDC (due to netting at the omnibus account level), the amounts to be distributed to beneficial owners will be proportionally reduced.

(h) Distributions with respect to omnibus accounts shall be completed within 180 days after receipt by the omnibus account holder of funds from this Plan (or, within 180 days after receipt by the IDC of the information specified in subparagraph (c)(1), if applicable), unless the account holder demonstrates to the satisfaction of the IDC that good cause exists to extend that deadline. Omnibus account holders seeking to alter the procedures specified in this paragraph may apply to the Fund Administrator for permission for such alteration within 90 days of receiving notice of the proposed distribution from the Fund Administrator, and the IDC will rule on such applications within 60 days after their submission to the Fund Administrator. The IDC may grant such applications if the requested alteration would not materially affect the distribution of funds to the contemporaneous beneficial owners.

7.7. Intermediaries of retirement accounts shall be required to distribute the monies received under this Plan in accordance with their fiduciary and contractual obligations, and consistent with guidance issued by the Department of Labor, if any.

C. Holdback.

7.8. The holdback described in paragraph 6.2 above will be applied first toward any distributions necessary to respond to claims, if any, by shareholders in the Participating Funds for distributions in addition to those contemplated under this Plan. To the extent that there are funds remaining after all such claims have been resolved, that remainder should be paid to holders of any of the other Participating Funds to whom no distribution has been made, again in descending order of estimated dilution as a percentage of average fund assets. Finally, any additional funds remaining shall be distributed in a manner consistent with the plan as approved, as determined by the IDC on notice to Respondents, the Independent Trustees of the Columbia Funds, and the SEC.

D. Unclaimed Distributions.

7.9. In situations in which distributions are unclaimed (checks not cashed), or persons to whom a distribution would otherwise be made cannot be identified or located, the distributable amounts should be added to the amount held back pursuant to paragraph 6.2 above. All distributions should be on terms providing that checks not cashed within six months after distribution shall be void, and the issuing financial institution shall be instructed to stop payment on those checks or otherwise assure that payment on such checks is prevented.

E. Fund Administrator and Tax Administrator.

7.10. Rust Consulting, Inc. (“Rust”), if approved by the Commission, will serve as the administrator of the Fair Fund (“Fund Administrator”) and will be compensated by the Respondents. Appendix A to this Plan provides additional information about the Fund Administrator. The IDC requests that the Commission waive, for good cause shown (specifically, the facts set forth in Appendix A), the requirement that a bond be posted pursuant to Rule 1105(c) of the Commission’s Rules on Fair Fund and Disgorgement Plans. Under the supervision of the IDC, Rust will be responsible for, among other things: overseeing the administration of the Fair Fund, obtaining accurate mailing information for shareholders, preparing accountings, cooperating with the Tax Administrator in providing the information necessary to accomplish the income tax compliance, distributing money from the Fair Fund to shareholders in accordance with and subject to approval of this Plan, and setting up and staffing a call center to address shareholder questions or concerns regarding the distribution. The Fund Administrator will provide customer support and communications programs which will become active at least by the time the first distribution occurs. These services will include a toll free number and a website accessible to the public. The Commission retains the right to review and approve any material posted on the website. While the distribution is being implemented, the Fund Administrator will submit to the IDC and the staff of the Commission an accounting during the first ten days of each calendar quarter, and will submit a final accounting for approval of the Commission before termination of the Fair Fund and discharge of the Fund Administrator. The IDC and Rust currently have an agreement in place requiring Rust to perform certain tasks in preparation for the forthcoming distribution of the Fair Fund. To date, Rust has successfully met its obligations under the agreement and the IDC believes that Rust will perform satisfactorily as the Fund Administrator.

7.11. The Commission has appointed Damasco & Associates as the Tax Administrator (“Tax Administrator”) of the Fund (Order Directing Appointment Of Tax Administrator, in the Matter of Certain Disgorgement and Fair Funds in Administrative Proceedings, Exchange Act Rel. No. 51341, March 9, 2005). The IDC, Fund Administrator and Respondents will cooperate with the Tax Administrator in providing information necessary to accomplish the income tax compliance, ruling and advice work assigned to the Tax Administrator by the Commission. The Tax Administrator shall be compensated by the Respondents.

F. Payment of Distributions.

7.12. In order to distribute funds, and promptly after the necessary information becomes available, the IDC will submit a validated list of payees and the payment amounts to the assigned Commission staff. The staff shall obtain authorization from the Commission to disburse funds pursuant to Rule 1101(b)(6), upon staff receipt and acceptance of a validated payment file or list.

It is anticipated that the entire distribution may not be validated at one time. As and when additional payee distribution information becomes available, the IDC will submit additional validated lists of payees and payment amounts for distribution as authorized. In each instance, the payees and amounts will be validated at the IDC's direction by Rust. The validation will state that the list was compiled in accordance with the Plan and provides all information necessary to make disbursement to each distributee. Unless otherwise directed by the Commission, the Commission staff will direct the release of funds to the bank account established by the Fund Administrator based upon the validated list and representation by the Fund Administrator that the checks will be issued the next business day.

7.13. All payments shall be preceded or accompanied by a communication that includes, as appropriate: (a) a statement characterizing the distribution; (b) a description of the tax information reporting and other related tax matters; (c) a statement that checks will be void after 180 days; and (d) the name of a person to contact, to be used in the event of any questions regarding the distribution. Any such information letter or other mailing to recipients characterizing their distribution shall be submitted to the assigned Commission staff for review and approval. Distribution checks, on their face, or in the accompanying mailing will clearly indicate that the money is being distributed from an SEC Fair Fund.

7.14. In implementing the distribution under this Plan, the Fund Administrator will prepare a "positive pay file" for clearing checks at a bank (the "Escrow Bank"), and will provide that file to the Escrow Bank separately from the physical checks themselves. The Escrow Bank will be instructed to clear only checks matching entries in the positive pay file and for the amount in the file. When checks are printed, a reconciliation report will be provided which lists the total number of checks and sequenced numbers printed. These totals will be compared to the total records from the payment file to confirm all checks were printed. Printed checks will be kept in a secured area until they are mailed and will generally be printed just in time for mailing. Only authorized individuals will be allowed access to the check area for printing and performing quality control procedures. Processing of the mailing of checks will be subject to appropriate security procedures.

7.15. If a check is returned as undeliverable, the Fund Administrator will send the name, current address it has on file, and the tax identification number for the individual/entity, to a company that has access to credit bureau header type information. That company will then search for the most current address available through its proprietary databases, and will then return each record back to the Fund Administrator. If the returned file contains new addresses for records where the company has a more current address, with a date that corresponds with that address, the Fund Administrator will then update its database for records with better addresses, with a code that notes that the new address was

obtained through a trace process and the date the new address was obtained. This new address will then become the current address for that record in its database. The Fund Administrator will not overwrite or delete previous addresses, which it will maintain in an address history with dates and codes that identify when an address is used and why an address was updated.

7.16. The IDC and the Fund Administrator shall use their best efforts to assure that distribution of payments to investors shall be substantially completed within 90 days following the later of the approval of the Plan by the Commission or the date of receipt of a private letter ruling from the IRS (the "IRS Ruling") on the reporting of payments to investors under this Plan. Notwithstanding the foregoing, in the event the IRS Ruling requires reporting of all or a portion of the payments the IDC and the Fund Administrator shall use their best efforts to assure that distribution of payments shall be substantially completed no later than six months from the date of that ruling. The Fair Fund shall terminate effective upon the later of September 30, 2007 or 60 days after the final distribution of funds to investors and the resolution of uncashed or unclaimed funds and the final accounting by the Fund Administrator has been submitted to and approved by the Commission. Before the termination of the Fair Fund, the IDC shall cooperate with the Tax Administrator to make adequate reserves for tax liability and for the costs of tax compliance. Upon termination as defined in this paragraph, all undistributed assets remaining in the Fair Fund, minus any reserves for tax liability and tax compliance costs shall be remitted to the United States Treasury or to such other person or entity as the Commission may direct.

7.17. The Fair Fund constitutes a Qualified Settlement Fund ("QSF") under Section 468B(g) of the Internal Revenue Code, 26 U.S.C. §468B(g), and related regulations, 26 C.F.R. §§1.468B-1 through 1.468B-5. The Commission has custody of the Fair Fund and shall retain control of the assets of the Fair Fund. The Fair Fund is currently deposited at the U.S. Treasury Bureau of Public Debt ("BPD"). Upon approval of the Plan, the Fund Administrator shall establish one or more accounts at the Escrow Bank (*i.e.*, Deutsche Bank or such other bank as shall be selected by the IDC and determined to be acceptable by the staff of the Commission), in the name of and bearing the Taxpayer Identification Number of the QSF. Following approval of the Plan and submission by the IDC of a list of payees and amounts to the Commission staff, and to the extent necessary to fund payments as and when contemplated under paragraph 7.12, and unless otherwise directed by the Commission, the Commission staff shall cause the balance in the Fair Fund to be deposited in an escrow account established by the Fund Administrator in the name of and bearing the Taxpayer Identification Number of the Qualified Settlement Fund ("QSF account"). The Fund Administrator shall be the signer on the QSF account, subject to the continuing jurisdiction and control of the Commission. Funds deposited in the QSF account shall remain in that account until necessary for distribution as provided in this Plan, at which point they shall be deposited in one or more disbursement accounts established by the Fund Administrator at the Escrow

Bank. The Fund Administrator shall authorize the Escrow Bank to provide account information to the Tax Administrator. The Fund Administrator shall use the assets and earnings of the Fair Fund to provide payments to Investors and to provide the Tax Administrator with assets to pay tax liabilities and tax compliance fees and costs. The QSF account shall be invested in direct obligations of the United States Government of a type and term necessary to meet the cash requirements of the payments to Investors, tax obligations and fees.

7.18. The Respondents will pay all fees and costs associated with the administration of the Distribution Plan, except for tax liabilities of the QSF, which shall be paid in accordance with Rule 1105(e) of the Commission's Rules on Fair Fund and Disgorgement Plans.

G. Amendment, Termination and Notices.

7.19. The IDC will inform the Commission staff of any material changes in the Plan, and will obtain approval from the Commission prior to their implementation. If material changes are required, this Plan may be amended upon the motion of the Respondents, the Fund Administrator or upon the Commission's own motion. Under this Distribution Plan the IDC has discretion, again in consultation with the Respondents and the Commission's staff, to make supplemental specifications to the Plan of Distribution after its approval that are not materially inconsistent with the Plan as approved. There have been substantial regulatory settlements with several entities (such as CIBC, Calugar and Bear Stearns) which engaged in or facilitated market timing or late trading in one or more of the Columbia Funds. The IDC under this Distribution Plan will attempt to coordinate with the IDCs supervising the plans of distribution for those settlements, for the purpose of facilitating distribution to holders of Columbia Funds affected by the pertinent trading.

7.20. Notices to be given under the terms of this Plan (other than under paragraph 7.21) shall be given in writing to:

The IDC, to the following address:

Prof. Lawrence A. Hamermesh
Widener University School of Law
4601 Concord Pike
Wilmington, Delaware 19803

-- or --

lahamermesh@widener.edu

The Commission, to the following addresses:

Office of Financial Management
Securities and Exchange Commission

Operations Center
6432 General Green Way Stop 0-3
Alexandria, VA 22312

With a copy to:

David P. Bergers
District Administrator
Boston District Office
Securities and Exchange Commission
33 Arch Street
Boston, MA 02110-1424

H. Notice of the Plan

7.21. Notice of this Distribution Plan will be published in the SEC Docket, on the Commission web site, and on the Respondents' web site. Any person or entity wishing to comment on the Plan must do so in writing by submitting their comments, within thirty days of the date of the Notice:

1. to the Office of the Secretary, United States Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549-1090;
2. by using the Commission's Internet comment form (www.sec.gov/litigation/admin.shtml); or
3. by sending an e-mail to rule-comments@sec.gov.

Such comments should include the Administrative Proceeding File Number (Admin. Proc. File No. 3-11814) in the subject line. Comments received will be publicly available. Persons should submit only information that they wish to make publicly available. This Distribution Plan is subject to approval by the Commission and the Commission retains jurisdiction over the implementation of the Plan.

Submitted on: June 5, 2006

By: _____
Lawrence A. Hamermesh,
Independent Distribution
Consultant for the Columbia Fair
Fund

Appendix A

The Fund Administrator

The Fund Administrator has provided information regarding the Fund Administrator and its procedures to the IDC for inclusion in this Appendix.

1. Custody / Risk Protection

The Plan provides that money from the Qualified Settlement Fund, which is currently being held in the U.S. Treasury Bureau of Public Debt ("BPD"), would be transferred to one or more escrow accounts to be established by the Qualified Settlement Fund at the Escrow Bank, no more than two business days prior to the date on which checks would be mailed to shareholders, and that on behalf of the Qualified Settlement Fund, Rust Consulting, Inc ("Fund Administrator") would manage the printing and mailing of checks that would be drawn on those escrow accounts, subject to procedures described below to protect against misappropriation.

The distribution of the Qualified Settlement Fund will take place in multiple steps, rather than all at once. The monies will be transferred from the BPD to the Escrow Bank two business days before each of those steps, thus minimizing the amount of time that the monies are held pending actual distribution to shareholders. The Fund Administrator contemplates that the steps in the distribution of the Qualified Settlement Fund will include:

- Distribution of checks to contemporaneous Columbia Funds retail holders and other direct record owners ("direct accounts") in successive mailings, beginning with reliable/clear addresses.
- Distributions to Omnibus Accounts. Monies will not be transferred from the Qualified Settlement Fund to the Escrow Bank until the Omnibus Account is prepared to complete the distribution of any payment they receive under the Plan to its Beneficial Shareholders.

As a result, much less than the full amount of the Qualified Settlement Fund will ever be in the control of the Escrow Bank and/or the Fund Administrator at any given time.

Once the Fund Administrator has completed calculations for the account holder distribution accounts, the IDC will take steps sufficient to satisfy the IDC as to the accuracy of the Fund Administrator's calculations, including reference to determinations by Lexecon as to whether its own calculations agree with those of the Fund Administrator. Once the IDC is satisfied with the accuracy of the calculations, those calculations will be the basis on which the positive pay file described in paragraph 7.14 of the Plan and ultimately used to control the distribution is generated.

The cost of obtaining a bond under the circumstances of this proceeding, in lieu of the protections described in this Appendix and in the Plan itself, would be prohibitive, even if such a bond could be obtained at all.

2. Custody Procedures

The Fund Administrator specializes in claims administration and the development and implementation of plans for the distribution of settlement funds, and has administered more than 500 cases worth billions of dollars with class sizes ranging from 80 class members to more than 100 million. The Fund Administrator has been in existence since 1976 and has never had any occurrence of employee or vendor problems or claims against its Errors & Omissions insurance due to employee theft or dishonesty. Over the past three years alone, the Fund Administrator has distributed approximately \$1.8 billion in settlement disbursements to approximately 9.6 million recipients without incident. The Fund Administrator typically oversees the check printing process and relies on a third-party check-printing vendor.

The Fund Administrator's databases are configured so that modifications can only be made to data through programs; individuals are not allowed direct access to underlying production databases. Only designated individuals with security clearances at the Fund Administrator can access data used in completing the distribution. If an individual has security clearance to make changes in data (e.g., to update an address through an on-line screen), all original data (e.g., the original address) is automatically maintained by the Fund Administrator's systems, and the system records the identity of the individual who made the change. Individuals cannot alter award amounts. Duties are segregated: award calculations are separate from the preparation of checks, which is in turn separate from submission of files to a bank, so that no individual or working team could affect more than one of these processes.

3. Additional Risk Protection

The Escrow Bank, which will hold Plan assets during the check-cashing period, maintains a Financial Institutions (FI) Bond including errors and omissions coverage with an aggregate limit of 200 MM Euro. The primary insurer is American International Group, which, as of its most recent renewal, was rated A+ by A.M. Best. The Escrow Bank has 200 MM Euro of E&O insurance. In addition, the Escrow Bank has a bankers blanket bond of 250 MM Euro from Chubb (which is rated A++ by A.M. Best), which the Escrow Bank has advised the IDC includes coverage for wrongful acts (i.e., an act, errors and omissions, misstatement, etc.) or failure to safeguard proprietary information in connection with rendering of professional services. The Fund Administrator has \$10 million in E&O insurance, as well as \$2 million fiduciary insurance. The Escrow Bank annually assesses the adequacy of its policy limits through extensive analysis of historical loss data, exposure to loss and internal company controls.

The Fund Administrator maintains and will continue to maintain until termination of Plan, an errors and omissions insurance policy. The primary insurer, Illinois Union Insurance Co, is a company which, as of its most recent renewal, was rated A+ by A.M.

Best. The policy is in the amount of \$10 million per occurrence. The Fund Administrator also maintains, and will continue to maintain until termination of Plan, a fiduciary insurance policy. The primary insurer, St. Paul Companies, is a company which, as of its most recent renewal, was rated A+ by A.M. Best. The policy is in the amount of \$2 million per occurrence. The Fund Administrator's print vendor maintains and will continue to maintain until termination of Plan, an errors and omissions insurance policy. The primary insurer, Illinois Union Insurance Co (ACE USA), is a company which, as of its most recent renewal, was rated A+ by A.M. Best. The policy is in the amount of \$25 million per occurrence. Under the Plan of Distribution, at no time will there be funds under the custody and control of the Fund Administrator that exceed the amount covered by insurance. Certificates of insurance for these policies have been provided to the assigned SEC staff for review and have been deemed "not unacceptable."

Definitions

"Escrow Bank" means Deutsche Bank or such other bank as shall be selected by the IDC and determined to be acceptable by the staff of the Commission

"Rust" mean Rust Consulting, Inc., experts in the development and implementation of plans for the distribution of settlement funds.

"Fund Administrator" means Rust or such other entity as shall be acceptable to the staff of the Commission.

"Omnibus Account" means an account registered in the name of a broker-dealer or other financial intermediary which holds shares as the record owner for the benefit of more than one beneficial shareholder.

Table 1
Participating Funds
(Amounts in \$ Millions)

	Dilution As Percent of Average Fund Assets	Dilution (Present Value of Hybrid Model)					Present Value of Estimated Transaction Costs		Net Management Fees Allocated To Accounts W/ Arrangement Trading	Total Dilution, Transaction Costs and Fees	Present Value of Cumulative Dilution, Transactions Costs and Fees	
		Average Fund Assets	Arrangement Trading	Retail Accounts	Omnibus Accounts	Total	Arrangement Trading	Other Accounts				
Funds With Arrangement Trading												
1	SR INTERNATIONAL FUND	7.37	169.46	2.04	6.52	3.93	12.49	0.12	0.48	0.03	13.12	13.1
2	COLUMBIA NEWPORT TIGER FUND	6.08	620.98	16.29	5.61	15.87	37.77	0.58	0.77	0.23	39.35	52.5
3	LIBERTY NEWPORT INTL EQUITY FUND	4.91	170.40	2.06	5.86	0.44	8.36	0.11	0.38	0.02	8.87	61.3
4	COLUMBIA INTERNATIONAL EQUITY FUND	3.29	606.48	0.77	13.11	6.05	19.93	0.05	0.88	0.00	20.86	82.2
5	COLUMBIA ACORN INTL SELECT FUND	2.53	61.88	0.29	0.51	0.76	1.57	0.01	0.07	0.01	1.66	83.9
6	COLUMBIA GLOBAL EQUITY FUND	2.10	164.40	0.02	3.43	0.00	3.45	0.00	0.21	0.00	3.66	87.5
7	COLUMBIA ACORN INTERNATIONAL FUND	0.65	1,778.25	2.52	2.31	6.81	11.64	0.16	0.43	0.04	12.27	99.8
Fund	COLUMBIA SMALL CAP VALUE FUND	0.40	421.02	0.14	1.56	-0.01	1.69	0.11	0.37	0.00	2.17	102.0
9	COLUMBIA GROWTH STOCK FUND	0.39	715.44	2.57	0.02	0.18	2.76	0.37	0.11	0.04	3.28	105.2
10	COLUMBIA YOUNG INVESTOR FUND	0.28	948.86	2.07	0.76	-0.19	2.64	0.51	0.16	0.05	3.36	108.6
11	LIBERTY GROWTH STOCK FUND	0.22	693.36	1.47	0.22	-0.15	1.53	0.11	0.01	0.06	1.71	110.3
Funds Without Arrangement Trading												
12	WANGER FOREIGN FORTY	3.39	14.65			0.50	0.50		0.04		0.54	110.8
13	WANGER INTERNATIONAL SMALL CAP FUND	2.43	254.93			6.18	6.18		0.40		6.58	117.4
14	COLUMBIA SMALL COMPANY EQUITY FUND	2.17	411.48		8.23	0.69	8.93		1.62		10.55	128.0
15	COLUMBIA NEWPORT JAPAN OPPTS FUND	1.99	40.07		0.21	0.58	0.80		0.04		0.84	128.8
16	1784 INTERNATIONAL EQUITY	1.39	484.80		0.61	6.15	6.76		0.31		7.07	135.9
17	SR CAPITAL OPPORTUNITIES FUND	1.13	390.20		4.22	0.20	4.42		0.62		5.04	140.9
18	1784 GROWTH	0.78	146.43		0.98	0.17	1.15		0.15		1.30	142.2
19	COLUMBIA INTERNATIONAL STOCK FUND	0.65	224.20		0.43	1.02	1.46		0.07		1.53	143.8
20	COLUMBIA NEWPORT GREATER CHINA FUND	0.46	54.26		0.11	0.14	0.25		0.02		0.27	144.0

Table 2

**Dilution of Columbia Funds By Descending Dilution As Percent of Fund Assets
(Amounts in \$ Millions)**

		Dilution As Percent of Average Fund Assets	Dilution (Present Value of Hybrid Model)					Present Value of Estimated Transaction Costs		Net Management Fees Allocated To Accounts W/ Arrangement Trading	Total Dilution, Transaction Costs and Fees	Present Value of Cumulative Dilution, Transactions Costs and Fees
			Average Fund Assets	Arrangement Trading	Retail Accounts	Omnibus Accounts	Total	Arrangement Trading	Other Accounts			
1	SR INTERNATIONAL FUND	7.37	169.46	2.04	6.52	3.93	12.49	0.12	0.48	0.03	13.12	13.12
2	COLUMBIA NEWPORT TIGER FUND	6.08	620.98	16.29	5.61	15.87	37.77	0.58	0.77	0.23	39.35	52.47
3	LIBERTY NEWPORT INTL EQUITY FUND	4.91	170.40	2.06	5.86	0.44	8.36	0.11	0.38	0.02	8.87	61.33
4	WANGER FOREIGN FORTY	3.39	14.65			0.50	0.50		0.04		0.54	61.87
5	COLUMBIA INTERNATIONAL EQUITY FUND	3.29	606.48	0.77	13.11	6.05	19.93	0.05	0.88	0.00	20.86	82.74
6	COLUMBIA ACORN INTL SELECT FUND	2.53	61.88	0.29	0.51	0.76	1.57	0.01	0.07	0.01	1.66	84.39
7	WANGER INTERNATIONAL SMALL CAP FUND	2.43	254.93			6.18	6.18		0.40		6.58	90.97
8	COLUMBIA SMALL COMPANY EQUITY FUND	2.17	411.48		8.23	0.69	8.93		1.62		10.55	101.52
9	COLUMBIA GLOBAL EQUITY FUND	2.10	164.40	0.02	3.43	0.00	3.45	0.00	0.21	0.00	3.66	105.18
10	COLUMBIA NEWPORT JAPAN OPFS FUND	1.99	40.07		0.21	0.58	0.80		0.04		0.84	106.02
11	1784 INTERNATIONAL EQUITY	1.39	484.80		0.61	6.15	6.76		0.31		7.07	113.09
12	SR CAPITAL OPPORTUNITIES FUND	1.13	390.20		4.22	0.20	4.42		0.62		5.04	118.13
13	COLUMBIA EUROPE FUND	1.01	6.85		0.05	0.02	0.07		0.00		0.07	118.20
14	1784 GROWTH	0.78	146.43		0.98	0.17	1.15		0.15		1.30	119.50
15	COLUMBIA ACORN INTERNATIONAL FUND	0.65	1,778.25	2.52	2.31	6.81	11.64	0.16	0.43	0.04	12.27	131.78
16	COLUMBIA INTERNATIONAL STOCK FUND	0.65	224.20		0.43	1.02	1.46		0.07		1.53	133.30
17	COLUMBIA NEWPORT GREATER CHINA FUND	0.46	54.26		0.11	0.14	0.25		0.02		0.27	133.57
18	COLUMBIA SMALL CAP VALUE FUND	0.40	421.02	0.14	1.56	-0.01	1.69	0.11	0.37	0.00	2.17	135.74
19	COLUMBIA GROWTH STOCK FUND	0.39	715.44	2.57	0.02	0.18	2.76	0.37	0.11	0.04	3.28	139.02
20	SR SMALL COMPANY GROWTH FUND	0.34	21.00		0.08	-0.01	0.07		0.01		0.08	139.10
21	COLUMBIA NEWPORT ASIA PACIFIC FUND	0.29	12.94	0.00	0.03	0.01	0.04	0.00	0.00		0.04	139.14
22	COLUMBIA YOUNG INVESTOR FUND	0.28	948.86	2.07	0.76	-0.19	2.64	0.51	0.16	0.05	3.36	142.50
23	LIBERTY GROWTH STOCK FUND	0.22	693.36	1.47	0.22	-0.15	1.53	0.11	0.01	0.06	1.71	144.21
24	COLUMBIA SMALL COMPANY INDEX FUND	0.13	266.70		0.35	0.01	0.36		0.05		0.41	144.62
25	COLUMBIA LARGE CAP GROWTH FUND	0.09	1,384.32		0.95	0.25	1.19		0.18		1.37	146.00
26	COLUMBIA PA INTERM MUNI BOND FUND	0.07	26.73		0.02		0.02		0.00		0.02	146.02
27	COLUMBIA MID CAP VALUE FUND	0.07	1,123.54	0.13	0.58	0.05	0.77	0.01	0.12	0.00	0.90	146.92
28	GALAXY UTILITY INDEX FUND	0.06	58.80		0.03		0.03		0.00		0.03	146.96
29	LIBERTY CONTRARIAN EQUITY FUND	0.04	97.45		0.04	0.00	0.04		0.01		0.05	147.01
30	COLUMBIA LARGE COMPANY INDEX FUND	0.04	867.06	-0.11	0.02	0.43	0.35	0.01	0.17		0.53	147.54
31	COLUMBIA TAX EXEMPT FUND	0.04	2,070.24	0.09	0.67	0.01	0.76	0.05	0.21	0.01	1.03	148.57
32	COLUMBIA MANAGED MUNICIPALS FUND	0.04	465.40		0.08	0.08	0.17		0.05		0.22	148.78
33	SR DISCIPLINED STOCK FUND	0.03	513.50		0.14	0.04	0.18		0.00		0.18	148.96
34	COLUMBIA DISCIPLINED VALUE FUND	0.03	417.36		0.07	0.08	0.14		0.01		0.15	149.12
35	COLUMBIA GROWTH & INCOME FUND	0.03	1,643.16	0.03	0.32	0.10	0.46	0.03	0.01		0.50	149.61
36	GALAXY CONNECTICUT MUNI BOND FUND	0.02	37.20		0.00	0.01	0.01		0.00		0.01	149.62
37	COLUMBIA OREGON MUNICIPAL BOND FUND	0.02	484.20		0.06	0.01	0.07		0.03		0.10	149.72

Table 2

**Dilution of Columbia Funds By Descending Dilution As Percent of Fund Assets
(Amounts in \$ Millions)**

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		Dilution As Percent of Average Fund Assets	Dilution (Present Value of Hybrid Model)				Present Value of Estimated Transaction Costs		Net Management Fees Allocated To Accounts W/ Arrangement Trading	Total Dilution, Transaction Costs and Fees	Present Value of Cumulative Dilution, Transactions Costs and Fees
			Average Fund Assets	Arrangement Trading	Retail Accounts	Omnibus Accounts	Total	Arrangement Trading			
38	SR BALANCED FUND	0.01	215.47		0.04	-0.01	0.03		0.01	0.04	149.76
39	COLUMBIA BALANCED FUND	0.01	875.12		0.00	0.10	0.10		0.09	0.19	149.95
40	COLUMBIA INTERM GOVERNMENT INCOME FD	0.01	468.44		0.05	0.01	0.05		0.00	0.05	150.01
41	SR GROWTH AND INCOME FUND	0.01	345.00		0.00	0.03	0.03		0.07	0.10	150.10
42	COLUMBIA HIGH YIELD OPPORTUNITY FUND	0.01	880.38		0.07	0.00	0.08		0.01	0.09	150.19
43	SR INTERMEDIATE MUNICIPALS FUND	0.01	145.07		0.01	0.00	0.01		0.00	0.01	150.21
44	COLUMBIA HIGH YIELD MUNICIPAL FUND	0.01	277.80		0.00	0.02	0.02		0.00	0.02	150.23
45	COLUMBIA LARGE CAP CORE FUND	0.01	661.86		0.06	-0.01	0.04		0.00	0.04	150.28
46	GALAXY TAX EXEMPT BOND FUND	0.00	193.77		0.01	0.00	0.01		0.01	0.02	150.29
47	COLUMBIA SHORT TERM BOND FUND	0.00	199.30	-0.02	0.02	0.00	0.01	0.00	0.00	0.01	150.29
48	COLUMBIA FLORIDA INTERM MUNI BOND FD	0.00	70.48		0.00	0.00	0.00		0.00	0.00	150.30
49	COLUMBIA NY INTERM MUNI BOND FUND	0.00	101.08		0.00	0.00	0.00		0.00	0.00	150.30
50	COLUMBIA MA INTERM MUNI BOND FUND	0.00	280.93		0.01	0.00	0.01		0.01	0.02	150.31
51	1784 US GOVT MED TERM INCOME	0.00	259.60		0.00	0.00	0.00		0.00	0.00	150.32
52	COLUMBIA TAX EXEMPT INSURED FUND	0.00	176.68		0.00	0.00	0.00		0.00	0.00	150.32
53	CMG HIGH YIELD FUND	0.00	359.98		0.00	0.00	0.00		0.00	0.00	150.32
54	COLUMBIA UTILITIES FUND	0.00	814.04		0.00	0.00	0.00		0.00	0.00	150.32
55	COLUMBIA ASSET ALLOCATION FUND	0.00	460.50		0.00	0.00	0.00		0.07	0.07	150.40
56	COLUMBIA INTERM TAX EXEMPT BOND FUND	0.00	339.12	-0.01	0.01	0.00	0.00	0.00	0.00	0.00	150.40
57	COLUMBIA US TREASURY INDEX FUND	0.00	173.18		0.00	0.00	0.00		0.00	0.00	150.40
58	CMG STRATEGIC EQUITY FUND		291.50		-0.02	0.00	-0.02		0.00	-0.02	150.40
59	COLUMBIA ACORN FUND		6,387.70		-0.11	-2.20	-2.31		0.01	-2.30	150.41
60	COLUMBIA ACORN SELECT FUND		266.05		0.00	-0.01	-0.01		0.00	-0.01	150.41
61	COLUMBIA ACORN USA FUND		383.33		0.00	-0.13	-0.13		0.01	-0.12	150.43
62	COLUMBIA CALIFORNIA TAX EXEMPT FUND		289.50		0.00	0.00	0.00		0.00	0.00	150.43
63	COLUMBIA COMMON STOCK FUND		654.24		-0.03	-0.35	-0.38		0.05	-0.33	150.48
64	COLUMBIA CONNECTICUT TAX EXEMPT FUND		184.07		0.00	0.00	0.00		0.00	0.00	150.48
65	COLUMBIA CONTRARIAN INCOME FUND		30.28		-0.01	0.00	-0.01		0.00	-0.01	150.48
66	COLUMBIA CORPORATE BOND FUND		134.96		0.00	0.00	0.00		0.00	0.00	150.48
67	COLUMBIA CT INTERM MUNI BOND FUND		149.98		0.00		0.00		0.00	0.00	150.48
68	COLUMBIA EUROPEAN THEMATIC EQUITY FD				-0.01		-0.01		0.00	-0.01	150.48
69	COLUMBIA FEDERAL SECURITIES FUND		903.05		-0.01	-0.01	-0.02		0.00	-0.02	150.49
70	COLUMBIA FIXED INCOME SECURITIES FD		459.28		-0.13	-0.07	-0.20		0.05	-0.15	150.54
71	COLUMBIA FLOATING RATE ADVANTAGE FD		243.33	0.00			0.00	0.00	0.00	0.00	150.54
72	COLUMBIA FLOATING RATE FUND		467.42	0.00	-0.01		-0.01	0.00	0.00	-0.01	150.54
73	COLUMBIA GROWTH FUND		1,387.42		-0.06	-0.29	-0.35		0.07	-0.28	150.61
74	COLUMBIA HIGH YIELD FUND		588.02	0.04	-0.15	-0.16	-0.26	0.00	0.10	-0.16	150.71

Table 2

Dilution of Columbia Funds By Descending Dilution As Percent of Fund Assets
(Amounts in \$ Millions)

		Dilution (Present Value of Hybrid Model)					Present Value of Estimated Transaction Costs		Net Management Fees Allocated To Accounts W/ Arrangement Trading	Total Dilution, Transaction Costs and Fees	Present Value of Cumulative Dilution, Transactions Costs and Fees
		Dilution As Percent of Average Fund Assets	Average Fund Assets	Arrangement Trading	Retail Accounts	Omnibus Accounts	Total	Arrangement Trading			
75	COLUMBIA INCOME FUND	383.50			0.00	-0.14	-0.15		0.03	-0.12	150.73
76	COLUMBIA INTERMEDIATE BOND FUND	894.20			-0.07	-0.15	-0.22		0.09	-0.13	150.82
77	COLUMBIA LIBERTY FUND	1,198.36			-0.03	0.00	-0.03		0.00	-0.03	150.82
78	COLUMBIA MA TAX EXEMPT FUND	211.90	-0.01		0.00	0.00	-0.01	0.00	0.00	-0.01	150.82
79	COLUMBIA MID CAP GROWTH FUND	857.54			-0.15	-1.19	-1.35		0.52	-0.83	151.34
80	COLUMBIA NEW YORK TAX EXEMPT FUND	105.32			0.00	0.00	0.00		0.00	0.00	151.34
81	COLUMBIA NJ INTERM MUNI BOND FUND	89.10			0.00	0.00	0.00		0.00	0.00	151.34
82	COLUMBIA QUALITY PLUS BOND FUND	723.74			0.00	-0.04	-0.04		0.01	-0.03	151.36
83	COLUMBIA REAL ESTATE EQUITY FUND	592.44			-0.37	-0.97	-1.34		0.20	-1.14	151.55
84	COLUMBIA RI INTERM MUNI BOND FUND	148.80			0.00	0.00	0.00		0.00	0.00	151.55
85	COLUMBIA SMALL CAP FUND	760.64			-0.06	-0.07	-0.14		0.03	-0.11	151.58
86	COLUMBIA SMALL CAP GROWTH FUND	496.08			-0.18	-2.17	-2.35		0.14	-2.21	151.72
87	COLUMBIA STRATEGIC INCOME FUND	1,249.86			0.00	-0.02	-0.02		0.00	-0.02	151.72
88	COLUMBIA STRATEGIC INVESTOR FUND	324.00			-0.25	-0.23	-0.48		0.09	-0.39	151.81
89	COLUMBIA TAX MANAGED GROWTH FUND	464.42			0.00	0.00	0.00		0.00	0.00	151.81
90	COLUMBIA TAX MANAGED VALUE FUND				0.00	0.00	0.00		0.00	0.00	151.81
91	COLUMBIA TECHNOLOGY FUND	17.47			-0.02	0.00	-0.02		0.00	-0.02	151.81
92	GALAXY EQUITY INCOME FUND	298.13			0.00	0.00	0.00		0.00	0.00	151.81
93	GALAXY GROWTH AND INCOME FUND				0.02	0.00	0.02		0.00	0.02	151.83
94	GALAXY LARGE CAP GROWTH FUND	172.30			-0.04		-0.04		0.00	-0.04	151.83
95	GALAXY LARGE CAP VALUE FUND	172.50			-0.19		-0.19		0.03	-0.16	151.86
96	GALAXY MUNICIPAL BOND FUND				0.00		0.00		0.00	0.00	151.86
97	GALAXY SHORT TERM BOND FUND	102.60			0.00	0.00	0.00		0.00	0.00	151.87
98	GALAXY VIP ASSET ALLOCATION				0.00		0.00		0.00	0.00	151.87
99	GALAXY VIP EQUITY				-0.01		-0.01		0.00	-0.01	151.87
100	LIBERTY ALL STAR EQUITY FUND				-0.06		-0.06		0.01	-0.05	151.88
101	LIBERTY CONTRARIAN BALANCED FUND				0.00		0.00		0.00	0.00	151.88
102	LIBERTY CONTRARIAN SMALL CAP FUND	41.35			-0.11	-0.03	-0.14		0.00	-0.14	151.88
103	LIBERTY COUNSELOR BALANCED PORTFOLIO				0.00		0.00		0.00	0.00	151.88
104	LIBERTY COUNSELOR GROWTH PORTFOLIO				0.00		0.00		0.00	0.00	151.88
105	LIBERTY EQUITY FUND VS				0.01		0.01		0.00	0.01	151.89
106	LIBERTY FLORIDA TAX EXEMPT FUND				0.00		0.00		0.00	0.00	151.89
107	LIBERTY GROWTH INVESTOR FUND				0.00		0.00		0.00	0.00	151.89
108	LIBERTY HIGH YIELD MUNICIPAL FUND	153.73			-0.01		-0.01		0.00	-0.01	151.89
109	LIBERTY INTERMEDIATE GOVERNMENT FUND	884.58	0.01		-0.01	-0.01	-0.02	0.03	0.04	0.05	151.96
110	LIBERTY INTERMEDIATE TAX EXEMPT FUND				0.00		0.00		0.00	0.00	151.96
111	LIBERTY MIDCAP GROWTH FUND				-0.01		-0.01		0.00	-0.01	151.96

Table 2

Dilution of Columbia Funds By Descending Dilution As Percent of Fund Assets
(Amounts in \$ Millions)

	Fund	Dilution As Percent of Average Fund Assets	Dilution (Present Value of Hybrid Model)				Present Value of Estimated Transaction Costs		Net Management Fees Allocated To Accounts W/ Arrangement Trading	Total Dilution, Transaction Costs and Fees	Present Value of Cumulative Dilution, Transactions Costs and Fees	
			Average Fund Assets	Arrangement Trading	Retail Accounts	Omnibus Accounts	Total	Arrangement Trading				Other Accounts
112					0.06		0.06	0.00	0.06	152.03		
113					0.00		0.00	0.00	0.00	152.03		
114					0.00	0.00	0.00	0.00	0.00	152.03		
115		24.40			0.00		0.00	0.00	0.00	152.03		
116					0.00		0.00	0.00	0.00	152.03		
117					0.00		0.00	0.00	0.00	152.03		
118					0.00		0.00	0.00	0.00	152.03		
119					0.00		0.00	0.00	0.00	152.03		
120		54.00			0.00		0.00	0.00	0.00	152.03		
121		31.43			-0.06	-0.01	-0.07	0.01	-0.06	152.04		
122		41.80			-0.02	0.00	-0.02	0.02	0.00	152.07		
123		19.90				-0.03	-0.03	0.00	-0.03	152.07		
124		436.93				-0.15	-0.15	0.10	-0.05	152.17		
125					0.01	0.00	0.01	0.00	0.01	152.19		
126					0.00	0.00	0.00	0.00	0.00	152.19		
127		559.00			-0.30	-0.01	-0.31	0.00	-0.31	152.19		
128		323.00			0.00	-0.05	-0.04	0.06	0.02	152.25		
129		245.60			0.00	0.00	0.00	0.00	0.00	152.25		
130		91.40			0.00		0.00	0.00	0.00	152.25		
131		144.90			0.00		0.00	0.00	0.00	152.25		
		Total For Funds With Positive Dilution			30.37	58.81	50.33	139.51	2.26	10.00	0.49	152.3

Note: These calculations include only pairs with holding periods of 1 to 7 trading days for omnibus and retail accounts and 1 to 21 trading days for episode accounts.

For a given retail account / fund, calculations begin after the first two round-trips in a 90 days, or five round trips in 365 days. For omnibus accounts, calculations begin after the first five round trips in 90 days, or ten in 365 days.

LIFO pairs for omnibus accounts were restricted to those purchased on the same date that an episode account or a retail account meeting the above screens also made a purchase in the same fund, with the exception that all omnibus trades were included after Columbia imposed redemption fees on retail accounts for short-term trading of international funds. For Wanger funds, trades were limited to those purchased on the same date as a retail or episode trade, subject to the screens above, in any other Columbia international fund.

Fund asset data was obtained from Morningstar.

Dilution attributable to timing through Banc of America Securities through Canary and the Introducing Brokers is excluded.