

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933

Release No. 8534 / February 9, 2005

SECURITIES EXCHANGE ACT OF 1934

Release No. 51164 / February 9, 2005

INVESTMENT ADVISERS ACT OF 1940

Release No. 2531 / February 9, 2005

INVESTMENT COMPANY ACT OF 1940

Release No. 26752 / February 9, 2005

ADMINISTRATIVE PROCEEDING

File No. 3-11814

In the Matter of
COLUMBIA MANAGEMENT
ADVISORS, INC. AND COLUMBIA
FUNDS DISTRIBUTOR, INC.,

Respondents.

ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933, SECTIONS 15(b) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, SECTIONS 203(e) AND 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940 AND SECTIONS 9(b) AND 9(f) OF THE INVESTMENT COMPANY ACT OF 1940

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), Section 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) and Sections 9(b) and 9(f) of the Investment Company Act of 1940 (“Investment Company Act”) against Columbia Funds Distributor, Inc.

(“Columbia Distributor”); and that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) and Sections 9(b) and 9(f) of the Investment Company Act of 1940 (“Investment Company Act”) against Columbia Management Advisors, Inc. (“Columbia Advisors”).

II.

In anticipation of the institution of these proceedings, Columbia Advisors and Columbia Distributor each has submitted an Offer of Settlement (collectively, the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 8A of the Securities Act of 1933, Sections 15(b) and 21C of the Securities Exchange Act of 1934, Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, and Sections 9(b) and 9(f) of the Investment Company Act of 1940 (“Order”), as set forth below.

III.

On the basis of this Order and Respondents’ Offers, the Commission finds¹ that:

Summary

1. From at least 1998 through October 2003, Columbia Advisors 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 Distributor, 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.

2. During this period, Columbia Distributor entered into arrangements with at least nine companies and individuals, allowing them to engage in frequent short-term trading in at least seven Columbia Funds, including international funds and a fund aimed at young investors. The

¹ The findings herein are made pursuant to Respondents’ Offers of Settlement and are not binding on any other persons or entities in this or any other proceeding.

aggregate trading that occurred totaled hundreds of millions of dollars. In some cases, Columbia Distributor required investors who wished to engage in frequent short-term trading in certain funds to place long-term or “sticky” assets in other funds. After entering into these arrangements, the nine companies and individuals engaged in frequent short-term or excessive trading in at least sixteen different Columbia Funds. In addition to trading made pursuant to these specific arrangements, Respondents allowed or failed to prevent hundreds of other accounts from engaging in a practice of short-term or excessive trading in a broad range of funds. They failed to prevent employees of their parent corporation, FleetBoston, and affiliated entities, from engaging in frequent trading in Columbia Funds through Fleet’s 401(k) plan. Such short-term and excessive trading benefited Columbia Advisors and Columbia Distributor, by increasing management fees and distributor compensation, but posed risks for investors in the funds in which short-term trading was allowed. In breach of its fiduciary duty, Columbia Advisors knew and approved of all but one of the short-term trading arrangements, and allowed the arrangements to continue.

3. Throughout the relevant period, the Respondents never disclosed to the long-term shareholders or to the independent trustees of the Columbia Funds the special arrangements they made with these short-term or excessive traders and the potential harm these arrangements posed to the relevant Columbia Funds. The Respondents also did not disclose the resulting conflicts of interest these arrangements created between Columbia Advisors and its clients.

4. Many of these arrangements and the trades made pursuant to them, as well trades that were the result of a practice of short-term and excessive trading Respondents allowed or did not prevent, were directly contrary to representations Respondents made in fund prospectuses that the funds did not permit short-term or excessive trading. In some other cases, the short-term trading pursuant to the arrangements and otherwise was contrary to prospectus representations that the funds in question would allow no more than three or four exchanges or telephone exchanges per fund per year.

5. By increasing assets under management, the trading arrangements increased the advisory fees earned by Columbia Advisors, and the trading arrangements increased the compensation paid to Columbia Distributor. By placing their own interest in generating compensation from short-term or excessive trading above the interests of long-term shareholders to whom this trading posed a risk of harm, and by failing to disclose these arrangements and trading and the conflicts of interest they created, Respondents engaged in fraudulent conduct and Respondent Columbia Advisors breached its fiduciary duty to act at all times in the best interests of the Columbia Funds’ shareholders.

Respondents

6. Columbia Advisors, an Oregon corporation, is a wholly-owned subsidiary of Columbia Management Group Inc., which during the relevant period was a wholly-owned subsidiary of

Fleet National Bank, which was a subsidiary of FleetBoston Financial Corporation (“Fleet”). Fleet during that period was a publicly owned holding company traded on the New York Stock Exchange. Columbia Advisors has been an investment adviser registered with the Commission since 1969. In connection with its purchase of Liberty Financial Group (“Liberty”) in November 2001, Fleet acquired various Liberty fund groups and investment advisers. In April 2003, most of these entities were merged with Fleet Investment Advisors Inc. into Columbia Advisors. Columbia Advisors serves as the investment adviser to approximately 140 mutual funds in the Columbia family of funds (“Columbia Funds”). Throughout the relevant time period, shares of Columbia Funds were continuously offered and sold to the public.

7. Columbia Distributor, a Massachusetts corporation, is a wholly-owned subsidiary of Columbia Management Group, Inc. Columbia Distributor has been a broker-dealer registered with the Commission since 1992. It acts as the principal underwriter and distributor for the Columbia Funds and certain other mutual funds. Before Fleet acquired Liberty in November 2001, the entity was known as Liberty Funds Distributor, Inc. (“Liberty Distributor”).

Facts

Introduction: The Prospectus Disclosures

8. The Columbia Funds are a group of funds whose advisers are now controlled by Fleet. This group includes several funds (*e.g.*, the Newport and Stein Roe fund groups) that were managed by subsidiaries of Liberty until late 2001, when certain management assets of Liberty were acquired by Fleet. By September 2003, the names of most of the fund groups managed by Fleet affiliates had been changed so that almost all were uniformly referred to by the name Columbia.

9. Market timing includes (a) frequent buying and selling of shares of the same mutual fund or (b) buying or selling mutual fund shares in order to exploit inefficiencies in mutual fund pricing. Market timing, while not illegal *per se*, can harm other mutual fund shareholders because it can dilute the value of their shares, if the market timer is exploiting pricing inefficiencies, or disrupt the management of the mutual fund’s investment portfolio and can cause the targeted mutual fund to incur costs borne by other shareholders to accommodate frequent buying and selling of shares by the market timer.

10. During the relevant period, the Columbia Funds made certain prospectus disclosures relating to market timing. From 1998 through 2000, the prospectuses for some of the Columbia Funds contained disclosures stating that generally shareholders would be limited in the number of exchanges or telephone exchanges they could make during a given year.

11. In the Fall of 2000, a number of the Columbia Funds then advised by subsidiaries of Liberty began including in their respective prospectuses the following disclosure (the

“Prohibition”):

The Fund does not permit short-term or excessive trading in its shares. Excessive purchases, redemptions or exchanges of Fund shares disrupt portfolio management and increase Fund expenses. In order to promote the best interests of the Fund, the Fund reserves the right to reject any purchase order or exchange request particularly from market timers or investors who, in the advisor’s opinion, have a pattern of short-term or excessive trading or whose trading has been or may be disruptive to the Fund. The funds into which you would like to exchange may also reject your request.

12. By the Spring of 2001, the rest of the Columbia Funds belonging to Liberty began including the Prohibition in their prospectuses. Columbia Advisors retained this disclosure language upon Fleet’s acquisition of Liberty, and in early 2002, adopted the same disclosure for most of the funds that had been advised by subsidiaries of Fleet prior to the acquisition. In the Spring of 2003, Columbia Advisors amended the Prohibition language in certain of the prospectuses to make clear that other funds distributed by Columbia Distributor similarly reserved the right to reject trade requests from market timers or investors with a pattern of short-term or excessive trading.

Respondents Agreed to Allow Short-Term or
Excessive Trading In Columbia Funds

13. During the period from at least 1998 until Summer 2003, Columbia Distributor managers entered into at least nine arrangements with investment advisers, hedge funds, brokers and individual investors allowing them to engage in frequent trading in particular mutual funds. All but one of these investors made multiple “round trips” per month (each round trip consisting of a purchase and subsequent sale of some or all of the purchase amount, or an exchange into the fund followed by an exchange out of the fund of some or all of the initial exchange amount) and some made hundreds of round trips during this approximately six-year period, resulting in up to \$142 million in assets at one time being present in the funds pursuant to these arrangements, and in total round trip activity (purchases, sales and exchanges) pursuant to these arrangements of over \$5 billion. Further, a substantial portion of this trading was directly contrary to the prospectus disclosure for the funds in which it occurred.

A. Ilytat Arrangement and Trading

14. From April 2000 through October 2002, Ilytat, L.P., a San Francisco hedge fund, and its affiliates (“Ilytat”) made almost 350 round trips in seven international Columbia Funds. A substantial number of these trades were made pursuant to an arrangement with Columbia Distributor approved by Columbia Advisors, which allowed Ilytat to engage in frequent and short-term trading in the Newport Tiger Fund (the “Newport Tiger Fund”), an Asian equity fund.

15. Through 2000 and early 2001, the prospectus for the Newport Tiger Fund noted that “[s]hort-term ‘market timers’ who engage in frequent purchases and redemptions can disrupt the Fund’s investment program and create additional transaction costs that are borne by all shareholders.” Starting in May 2001, the prospectus included the Prohibition representation.

16. Notwithstanding the language in the prospectus, Columbia Distributor, with the approval of the Newport Tiger Fund’s portfolio manager, allowed Ilytat, which it identified as a market timer, to enter into an arrangement under which Ilytat was to place \$20 million in the Newport Tiger Fund, with two-thirds of that amount to remain static and one-third to be actively traded. Neither the portfolio manager nor any other employee of Columbia Advisors or Columbia Distributor conducted any analysis to determine whether shareholders of the fund would be harmed by Ilytat’s transactions. According to internal calculations for the Newport Tiger Fund, Ilytat made purchases or exchanges totaling over \$133 million in the fund in 2000 and redeemed \$104 million. Further, during the first five months of 2001, Ilytat’s purchases or exchanges accounted for \$72 million out of the \$204 million in total purchases made by all investors in the Newport Tiger Fund. During the same five-month period, Ilytat made redemptions totaling \$60 million.

17. Beginning in October 2000, the portfolio manager for the Newport Tiger Fund began to express concern about Ilytat’s trading in the fund and repeatedly wrote to the co-president of Columbia Distributor expressing his concern about Ilytat’s trading activity and the harm that this trading activity could cause to the fund and its investors. By June 2000, the head of Columbia Advisors became concerned that Ilytat appeared to be making weekly trades of \$7 million in and out of the Newport Tiger Fund. Notwithstanding these concerns, Ilytat was allowed to continue trading in the Newport Tiger Fund until September 2002. During the 30 months from April 2000 to September 2002 during which it actively traded in the Newport Tiger Fund, Ilytat made almost 90 round trips in amounts of up to \$13 million. This activity included over 30 round trips during the period from May 2001 through September 2002, when the fund’s prospectus contained the Prohibition representation.

18. From September 1998 through October 2003 Ilytat also traded extensively in multiple other Columbia funds, including the Acorn International Fund (making at least 73 round trips); the Acorn International Select Fund (making at least 60 round trips); the Stein Roe International Fund (making over 80 round trips in a three-month period); the Newport International Equity Fund (making approximately 19 round trips during a five-month period) and the Columbia International Equity Fund (making at least 10 round trips). Over 50 of the round trips in these funds took place after the funds had adopted the Prohibition.

B. Ritchie Arrangement and Trading

19. From January 2000 through September 2003, Ritchie Capital Management, Inc. (“Ritchie”), a hedge fund manager, traded frequently in two Columbia Funds: the Newport Tiger

Fund (during January 2000 through October 2002) and the Columbia Growth Stock Fund (formerly the Stein Roe Advisor Growth Stock Fund) (“Growth Stock Fund”), a large cap fund, during June 2002 through September 2003.

20. Ritchie made most of its trades in the Newport Tiger Fund. During the period from January 2000 through April 2001, notwithstanding the language in the fund’s prospectus (set forth in paragraph 15 above) regarding the potential harm caused by short-term market timers, Ritchie made over 150 round trips. In addition, from May 2001 through September 2002, Ritchie made over 100 trades in the Newport Tiger Fund even though the prospectus included the Prohibition representation during this period.

21. In 2001, a Senior Vice President of Columbia Distributor met with Ritchie’s principals and discussed the possibility of Ritchie placing “long-term” assets in a fixed income fund “to offset their activity in Tiger.” At the time, Ritchie’s \$52 million position in the Newport Tiger Fund accounted for nearly 10% of the fund’s \$525 million in assets.

22. In early 2002, Ritchie began negotiating with Columbia Distributor an arrangement to actively trade the Growth Stock Fund, which by then included the Prohibition disclosure in its prospectus. Ritchie’s initial proposal was to place up to \$200 million in the fund (which at that time had a total asset value of approximately \$776 million), with the ability to trade up to half of that amount every day. Columbia Distributor countered with a proposal to keep 90% of the investment in place for 90 days, with no limit on trades of the remaining 10%. Columbia Advisors’ portfolio manager for the fund was aware of these negotiations and supported Ritchie’s proposal. In June 2002, Ritchie began trading in the Growth Stock fund, making five round trips in two months in amounts of up to \$7 million.

23. In early 2003, Ritchie entered into a “sticky-asset” arrangement with Columbia Distributor under which it agreed to place \$20 million in the Growth Stock Fund, trade up to \$2 million at a time with no limits on the number of trades per month, and place another \$10 million in the Columbia Short Term Bond Fund as a “static” (non-trading) asset. The portfolio manager for the Growth Stock Fund approved the arrangement, and the co-president of Columbia Distributor knew of and acquiesced in it. Neither the portfolio manager nor any other employee of Columbia Advisors or Columbia Distributor conducted any analysis to determine whether shareholders of these funds would be harmed by the transactions. Overall, pursuant to its arrangements with Columbia Distributor and contrary to Columbia Advisors’ Prohibition representation in the fund’s prospectus, Ritchie made approximately 18 round trips in the Growth Stock Fund from June 2002 through September 2003.

C. Stern Arrangements and Trading

24. During late 2002 and early 2003, entities controlled by Edward Stern (“Stern”) negotiated trading arrangements with Columbia Distributor through two intermediaries. In early

2003, Epic Advisors, on behalf of Stern's Canary Investment Management firm, entered into an arrangement with Columbia Distributor, approved by its National Sales Manager, under which Stern entities agreed to make investments in three funds (the Columbia Growth & Income Fund, the Columbia Select Value Fund, and the Growth Stock Fund), totaling \$37 million. Despite the fact that Columbia Advisors had included the Prohibition disclosure in the prospectus for each of these three funds, the arrangement permitted Stern entities to make three round trips per month in each fund. Stern was permitted to make one or two round trips in each account in March and early April. Thereafter, no more orders were received and Columbia Advisors placed "stops" on the accounts which prevented further trading in the accounts.

25. In late 2002 or early 2003, Stern also entered into an arrangement with Columbia Distributor pursuant to which he placed \$5 million in the Columbia High Yield Fund (the "High Yield Fund"), a high-yield bond fund. Despite the fact that Columbia Advisors had included the Prohibition disclosure in the prospectus for the High Yield Fund, Stern was permitted to make one round trip each month in the fund. The portfolio manager for the High Yield Fund approved the arrangement. During the period from November 2002 through July 2003, Stern made seven round trips in an average amount of \$2.5 million.

D. Calugar Arrangement and Trading

26. In or around April 1999, Daniel Calugar ("Calugar") reached an arrangement with Columbia Distributor allowing him to place up to \$50 million in the Columbia Young Investor Fund ("Young Investor Fund"), a fund targeting investments by children with an "educational objective to teach children about mutual funds," and the Growth Stock Fund, with permission to make one round trip per month using his entire position. The portfolio manager for the Growth Stock Fund, as well as Columbia Distributor's Managing Director of National Accounts and one of its Senior Vice Presidents, approved the arrangement. Neither the portfolio manager nor any other employee of Columbia Advisors or Columbia Distributor conducted any analysis to determine whether shareholders of these funds would be harmed by Calugar's transactions.

27. In 2000, Calugar, on average, made more than one round trip every trading day in various of the Columbia Funds. Throughout the year, Calugar made over 200 round trips in the Young Investor Fund, placing trades of up to \$2.3 million at a time, and during the four-month period from January 2000 through April 2000, he also made at least 13 round trips in the Stein Roe International Fund.

28. During the period from January 2000 through February 2001, Calugar also made nearly 70 round trips in the Growth Stock Fund, placing trades of up to \$4 million at a time. Throughout 2000 and into January 2001, he also made approximately 20 round trips in the Newport International Equity Fund, in amounts of up to \$6.6 million.

E. Giacalone Arrangement and Trading

29. In late 2000, Columbia Distributor, with the approval of its Co-President, entered into a “sticky-asset” arrangement with Sal Giacalone (“Giacalone”). Under the arrangement, which was approved by the head of the Newport Fund Group at the time, Giacalone was allowed to make four round trips per month of up to \$15 million in the Newport Tiger fund. In return, Giacalone was required to place \$5 million in “long term assets” in Acorn Funds. Neither the head of the Newport Fund Group nor any other employee of Columbia Advisors or Columbia Distributor conducted any analysis to determine whether shareholders of the fund would be harmed by Giacalone’s transactions.

30. Notwithstanding the supposed terms of his arrangement and the language in the prospectus discussing the potential harm caused by short-term market timers, Giacalone made a total of 43 round trips in the Newport Tiger Fund during six months of trading from November 2000 through April 2001. During the first two months of 2001 alone, Giacalone made at least 30 round trips in amounts of up to \$4.7 million.

F. D.R. Loeser Arrangement and Trading

31. In late 1998, Columbia Distributor entered into an arrangement with D. R. Loeser (“Loeser”), a registered investment adviser, allowing Loeser to make five round trips per month of up to \$8 million in the Growth Stock Fund. A Senior Vice President of Columbia Distributor, the President of the Stein Roe fund complex, which managed the Growth Stock Fund at that time, and the Growth Stock Fund portfolio manager all approved this arrangement. Neither these individuals, nor any other employee of Columbia Advisors or Columbia Distributor conducted any analysis to determine whether shareholders of the fund would be harmed by Loeser’s trading.

32. During the first five months of 2000, Loeser made approximately 20 round trips in the Growth Stock Fund and another 20 round trips in the Young Investor Fund.

G. Signalert Arrangement and Trading

33. Beginning in 1999, Signalert, a registered investment adviser, began trading in Columbia Funds under arrangements with Columbia Distributor. Initially, Signalert was allowed to invest \$7.5 million in the Growth Stock Fund and \$7.5 million in the Young Investor Fund, with the ability to make up to 10 round trips annually in each of these two funds. Under the arrangement, Signalert was also to place \$5 million in each of six other funds, trading just once a quarter.

34. Columbia Distributor senior management later sought to increase the size of Signalert’s investments. In late 1999, as part of a “sticky-asset” arrangement, Signalert agreed to place an additional \$10 million in the Growth Stock and Young Investor funds, and to invest and maintain

other assets in a money market fund, thereby allowing Columbia Advisors to generate a management fee from those assets. In return, Columbia Distributor allowed Signalert to make up to 12 round trips per year in each fund. The portfolio manager for the Growth Stock Fund, who was also the co-manager for the Young Investor Fund, approved this arrangement. Neither the portfolio manager nor any other employee of Columbia Advisors or Columbia Distributor conducted any analysis to determine whether shareholders of these funds would be harmed by Signalert's trading.

35. During the first 11 months of 2000, notwithstanding the supposed terms of the arrangement, Signalert made over 60 round trips in the two funds, one every one to two weeks. Overall, during the period 2000-2001, Signalert made more than 50 round trips in the Growth Stock Fund and approximately 50 round trips in the Young Investor Fund. Moreover, as of February 2001, Columbia Advisors had represented by way of the Prohibition disclosures in the prospectuses for these funds that short-term or excessive trading would not be permitted. Yet, from February 2001 through August 2001, Signalert made 20 round trips in the Young Investor Fund. It also made over 20 round trips in the Growth Stock Fund from February 2001 through December 2001.

36. Signalert also began trading in four additional funds: the Stein Roe Income Fund (a bond fund), the Acorn Fund (a small to mid cap fund), the Galaxy Equity Value Fund (a large cap fund), and the Galaxy Growth & Income Fund. Despite the fact that the Stein Roe Income Fund and the Acorn Fund each included the Prohibition representation in their prospectuses, Signalert made eight round trips in the Stein Roe Income Fund, all in the month of November 2001, and at least 15 round trips in the Acorn Fund during the period from March 2001 through February 2003. In addition, notwithstanding the fact that the two Galaxy funds generally limited investors to three exchanges per year, Signalert made approximately 23 round trips in the Galaxy Equity Value Fund and more than 25 round trips in the Galaxy Growth & Income Fund in a period of less than a year, from February 2001 through January 2002.

H. Waldbaum Arrangement and Trading

37. During late 2002, Columbia Distributor entered into a "sticky-asset" arrangement with American Express, which was acting on behalf of investor Alan Waldbaum ("Waldbaum"). Under the arrangement, his account was allowed to make 10 round trips per year in the Columbia Tax Exempt Fund ("Tax Exempt Fund"), a municipal bond fund, if he moved less than \$5 million each time and always kept \$2 million in the fund. The arrangement was approved by the portfolio manager for the Tax Exempt Fund.

38. At the time, the prospectus for the Tax Exempt Fund included Columbia Advisors' Prohibition representation. Notwithstanding this representation, Waldbaum made 10 round trips in the Tax Exempt fund from November 2002 through October 2003.

I. Tandem Arrangement and Trading

39. By early 2000, Tandem Financial (“Tandem”), an investment adviser, entered into an arrangement with Columbia Distributor, which was approved by its Senior Vice President. The arrangement permitted Tandem to make an unlimited number of trades in one or more of the Columbia Funds. Overall, pursuant to this arrangement, during the period from February 2000 through September 2003, Tandem made more than 100 round trips in the Tax Exempt Fund.

40. During 2000, Tandem made approximately eleven round trips in the Tax-Exempt Fund. Starting in April 2001, the prospectus for the Tax Exempt Fund prospectus included the Prohibition disclosure. Despite the disclosure, Tandem made 106 round trips during the period from April 2001 through September 2003.

Other Trading

41. From January 1998 to October 2003, the number of purchases matched with sales in accounts trading in the Columbia Funds totaled over 44,000 matches. During this period, thousands of non-omnibus accounts made two or more round trips in the Columbia Funds in amounts of \$100,000 or more. Approximately 270 of these accounts each made over 21 round trips. In the non-omnibus accounts, there were altogether over 22,300 round trips during the period and the omnibus accounts also made numerous round trips.

Respondents Failed to Disclose the Frequent or Excessive Trading Arrangements

42. Several Columbia Advisors portfolio managers (including those for the Growth Stock Fund, the Newport Tiger Fund, the High Yield Fund, the Young Investor Fund, and the Tax Exempt Fund, one of whom was also the Chief Investment Officer for International Equities), knew of and acquiesced in one or more of the arrangements described above, allowing excessive or short-term trading of their own funds, even though these arrangements were often contrary to the express representations in the funds' prospectuses. In addition, the senior executive at a predecessor to Columbia Advisors responsible for the predecessor's advisory activity during the period from 1998 through late 2001 was aware of at least one of these arrangements.

43. Respondents never disclosed to investors or to the independent trustees of the Columbia Funds the arrangements described above or the trading in the funds that took place pursuant to the arrangements.

Respondents Knew That Short-Term or Excessive Trading
Harmed or Created a Risk of Harm to the Funds

44. Some of the Columbia Funds' portfolio managers and a number of Columbia Distributor senior executives and senior executives responsible for Columbia Advisors' advisory activity during the period from 1998 to 2003, knew that short-term or excessive trading caused potential or actual harm and disruption to the Columbia Funds. For example:

(a) By the beginning of 2000, a Senior Vice President of Columbia Distributor expressed concern about the potentially harmful effect that Calugar's frequent trading was having on the relevant Columbia Funds.

(b) In the Spring of 2000, shortly after the peak of Calugar's trading in the Stein Roe International Fund, the fund's liaison with Columbia Distributor sent an e-mail to the head of Columbia Advisors and Co-President of Columbia Distributor with a chart that he summarized as showing: "for the last 6 weeks . . . \$142,018,026 has gone into the Fund and \$134,935,372 has gone out. . . These figures exceed the total size of the Fund!" He continued, "My goal here is to increase awareness of the magnitude of this problem and to get everyone involved working on a solution on a timely basis."

(c) In October 2000, in an e-mail discussing Ilytat, the portfolio manager for the Newport Tiger Fund complained about market timers to the head of Columbia Advisors and the Co-President of Columbia Distributor, stating: "Their active trading has increased and it has become unbearable. There will be long term damage to the fund." He further noted, "Let's understand that they [timers] really are not investors. They take advantage of the fund's delayed pricing mechanism which almost guarantees a risk free return . . . I hope wholesalers understand that by accepting a flipper's [*i.e.*, a short-term trader's] investment they do damage to the fund's performance, tax status, and the other shareholders (their clients)."

(d) In March 2001, in another e-mail sent to the head of Columbia Advisors and to the Co-President of Columbia Distributor, the Tiger Fund portfolio manager stated that "Newport. . .and the fund's long-term shareholders are all negatively impacted by flippers." He suggested that action be taken. The portfolio manager spoke directly with the head of Columbia Advisors and the Co-President of Columbia Distributor about market timing issues, including his concerns about the negative impact on his funds that frequent movements of large amounts of cash in and out of the fund could have, making it difficult to manage the funds.

(e) In September 2002, the Funds' transfer agent reported to a Managing Director of Columbia Distributor that, "Despite the tools currently available to us, timers continue to disrupt fund performance and management as well as exaggerate sales figures."

45. In November 2002, the boards of trustees of funds managed by Wanger Asset Management, L.P., a subsidiary of Columbia Management Group, approved the implementation of a 2% redemption fee in connection with its international funds. In December 2002, the board of trustees of funds managed by Columbia Advisors approved the implementation of a 2% redemption fee in connection with its international funds. The redemption fees were designed to curb frequent trading activities in the funds.

46. On January 31, 2003 a senior executive of Columbia Advisors sent an e-mail to the executive who headed the entity responsible for monitoring fund trading, stating: "I found out a week ago, in casual conversation . . . that severer[sic] Fleet employees who use the international funds in our own 401k arb the fund. FYI." He advised one Fleet employee to cease such trading. The executive who received this information was also a director of Columbia Distributor, an officer of Columbia Advisors and a trustee of several Columbia Funds. Neither the executive nor any other individual at Columbia Advisors, Columbia Distributor, or their affiliates took any action to investigate or halt such trading in shares held in the 401(k) plan. In February 2003, Columbia international funds began imposing a 2% redemption fee. After February, 2003, Liberty International Equity Fund was no longer in the Fleet 401(k) plan.

47. Notwithstanding the concerns raised about the impact this excessive or short-term trading was having on the relevant Columbia Funds, Columbia Advisors and Columbia Distributor continued to allow, and/or failed to prevent, such trading.

Columbia Distributor Interfered With Efforts
_____ to Halt Short-Term or Excessive Trading

48. Columbia Distributor recognized its obligation to act consistently with fund disclosure prohibiting short-term or excessive trading, and professed to want to prevent short-term or excessive traders from investing in the Columbia Funds. In fact, however, in connection with the arrangements referenced above, on multiple occasions, Columbia Distributor executives and employees blocked efforts to halt their clients' trading activity. For example:

(a) In 2000, a Columbia Distributor sales executive halted efforts to stop Giacalone from making almost daily round trips in the Newport Tiger Fund. Although the Giacalone accounts were subsequently shut down, Columbia Distributor's interference delayed the process and allowed a substantial number of additional trades to be made.

(b) In March 2001, a Senior Vice President of Columbia Distributor intervened when a portfolio assistant to the Acorn International Fund attempted to stop Ilytat from violating the fund's short-term trading policy. The Columbia Distributor executive caused a manager to telephone the portfolio assistant and tell her that it was "inappropriate" for her to take any direct steps to halt Ilytat's trading.

(c) By the end of March 2001, with the acquiescence of a Senior Vice President of Columbia Distributor, Ilytat had been placed on a list of “Authorized Accounts for Frequent Trading,” a list of accounts maintained by the transfer agent for the Columbia Funds, against which no action was to be taken, however frequent their trading.

(d) In December 2001, a Senior Vice President of Columbia Distributor intervened when the portfolio manager for Acorn International Fund complained about Ilytat’s market timing adversely impacting her fund and tried to halt it. After he spoke to the fund’s management, they agreed that Ilytat would be allowed to unwind its position by trading one-third of its current balance three to four times per year.

(e) In 2002, Columbia Distributor’s Managing Director for National Accounts personally intervened to reverse stops placed on Ilytat’s trading by market timing surveillance personnel. Ilytat continued trading for almost three more months thereafter.

(f) In January 2003, a Columbia Distributor sales manager insisted that no restrictions be placed on trading by Waldbaum because of the trading arrangement with him.

(g) In early 2003, a sales manager at Columbia Distributor intervened when the Funds’ transfer agent sought to block Tandem from placing any more trades in shares of the Tax-Exempt Fund. She wrote to the transfer agent’s market surveillance manager, “Tandem Fin’l . . . are[sic] an advisor that we have a very close relationship with. We definitely do not want to restrict them,” and further stated that “there are certain relationships like Tandem that are allowed to time based on prior discussions.” As a result of this intervention, Tandem was allowed to continue trading in the Tax Exempt Fund through October 2003.

(h) In March 2003, a Columbia Distributor executive intervened to allow Signalert to trade in the Columbia High Yield fund, despite a previous bar for excessive trading.

Columbia Advisors and Columbia Distributor Benefited From Short-Term or Excessive Trading

49. Both Columbia Advisors and Columbia Distributor benefited directly from the short-term trading arrangements. Because Columbia Advisors received advisory fees based on the total assets under management in the funds for which it acted as adviser, it served Columbia Advisors’ financial interest to obtain the largest possible investment in a fund. Indeed, in an e-mail in 2000, a Managing Director of Columbia Distributor set forth certain guidelines for entering short-term trading arrangements requiring, *inter alia*, that the investor place non-trading assets in Columbia Funds, to ensure “a constant management fee income.”

50. Columbia Distributor earned revenue and its executives were compensated in whole or in part based on the total amount of assets they caused to be invested in the funds. As a result, it

was also in Columbia Distributor's financial interest to do what was necessary to persuade short-term traders to place money in the funds.

Columbia Advisors and Columbia Distributors Provided
Material Non-Public Portfolio Information to Traders

51. Columbia Advisors generally maintained as confidential information concerning the specific securities owned by Columbia funds, and their weighted value. Except at semi-annual intervals, Columbia did not disclose this information to the public. In a February 2002 e-mail, sent to an individual identified by Fleet as an employee of its Denver call center, a member of Columbia's compliance department stated that "it is our policy not to provide information on fund holdings to individual shareholders or potential investors unless it is information that we have already made public." However, Columbia Advisors through portfolio managers and Columbia Distributor, with the approval of senior managers, provided material non-public portfolio holdings information to various entities. One of the entities that received non-public portfolio holdings information was Ilytat. From at least August 2000 through at least July 2002, it received such non-public portfolio holdings information for at least eight funds. Knowledge of Columbia's portfolio holdings would enable Ilytat or others to engage in hedge transactions involving a fund and the underlying securities it held. In response to a written inquiry from the Commission's Office of Compliance Inspection and Examinations in September 2003, a senior executive of Columbia Advisors represented in writing that "We have not yet identified any deviations from policies as applied to the transmission of non-public information with respect to a Fund's portfolio holdings." In January 2004, Columbia Advisors informed the Commission staff that Columbia Advisors and Columbia Distributor had transmitted non-public fund portfolio holdings information. Between January and July 2004, Columbia Advisors and Columbia Distributor supplemented that response with additional information about transmittals of non-public portfolio holdings information of certain funds to Ilytat and others.

52. Senior executives of Columbia Advisors and Columbia Distributor were aware that these entities did not have a consistent policy or practice with respect to disclosure of fund portfolio holdings and related information. In late 2001, Columbia's legal department expressed concern about the practice of portfolio holdings disclosure. Columbia Distributor managers continued to provide such information, but agreed to follow the legal department's recommendation to provide the following language if such information was disclosed: "By accepting this information, you acknowledge that it is provided to you on a confidential basis and is not to be distributed to any shareholder of the funds or to any person other than the recipient and is not to be used for any purpose other than the purpose you have expressly discussed with us." However, on multiple occasions after that agreement, non-public portfolio holdings information was provided without such language.

Violations

53. As a result of the conduct described in Section III above, Columbia Advisors willfully violated Sections 206(1) and 206(2) of the Advisers Acts in that Columbia Advisors, while acting as an investment adviser, employed devices, schemes, or artifices to defraud clients or prospective clients; and engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon clients or prospective clients. Specifically, Columbia Advisors permitted short-term and excessive trading, contrary to the prospectus disclosure for the funds traded. In addition, Columbia Advisors breached its fiduciary duty to the Funds when it failed to disclose to the fund boards or shareholders the conflicts of interest created when it placed its own interest in accepting market timing money to generate fees above the interests of long-term shareholders, who were harmed by market timing.

54. As a result of the conduct described in Section III above, Columbia Distributor willfully aided and abetted and caused Columbia Advisors' violations of Sections 206(1) and 206(2) of the Advisers Act. Columbia Distributor knew or was reckless in not knowing that its negotiation of arrangements allowing short-term or excessive trading would aid and abet or contribute to Columbia Advisors' violations by rendering the fund prospectuses issued by Columbia Advisors materially misleading, and would cause Columbia Advisors to breach its fiduciary duty to act in the interest of fund shareholders.

55. As a result of the conduct described in Section III above, Columbia Advisors and Columbia Distributor willfully violated Section 17(d) of the Investment Company Act and Rule 17d-1 thereunder, in that, while acting as principals, they participated in and effected transactions in connection with joint arrangements in which the funds were participants without filing an application with the Commission and obtaining a Commission order approving the transactions. These provisions are designed to prevent abuses arising from conflicts of interest between an investment company and any affiliated person of the investment company. As an affiliated person and as the principal underwriter, respectively, of the Columbia Funds, which are registered investment companies, Columbia Advisors and Columbia Distributor effected transactions in which they were joint participants with the Funds. They caused certain Funds to enter into joint transactions whereby some funds agreed to accept market timing investments (to their detriment) in return for the placement of long-term assets in other affiliated funds. The Funds' participation in the market timing arrangements was on a basis less advantageous than Respondents' participation, because Columbia Advisors earned fees and Columbia Distributor received payments for "sticky" money placed in non-timed funds, in exchange for allowing timing activity in other funds that could be harmful to those funds. The funds in which timing activity was allowed received no benefit from these "sticky asset" arrangements. Respondents failed to obtain an exemptive order from the Commission for these joint transactions, as required by Rule 17d-1.

56. As a result of the conduct described in Section III above, Columbia Advisors willfully violated, and Columbia Distributor willfully aided and abetted and caused violations of, Section 34(b) of the Investment Company Act. Columbia Advisors made untrue statements of a material fact or omitted to state facts necessary in order to prevent statements made, in the light of the circumstances under which they were made, from being materially misleading in registration statements or other documents filed with the Commission. From 2001, Columbia's prospectuses included the statement that "The Fund does not permit short-term or excessive trading in its shares." These prospectuses were materially misleading. Columbia Advisors prepared and repeatedly filed the materially misleading registration statements and prospectuses with the Commission. Columbia Distributor aided and abetted Columbia Advisors' violations of Section 34(b) in that it knew that the statements filed with the Commission were inaccurate and failed to correct those statements, allowing further misleading filings to be made.

57. As a result of the conduct described in Section III above, Columbia Advisors willfully violated Section 204A of the Advisers Act in that it, while acting as an investment adviser, failed to establish, maintain, and enforce written policies and procedures reasonably designed, taking into consideration the nature of such investment adviser's business, to prevent the misuse of material, nonpublic information by such investment adviser or any person associated with such investment adviser, by releasing material, nonpublic information concerning the funds' portfolio holdings to one or more timers in the funds.

58. As a result of the conduct described in Section III above, Columbia Distributor willfully violated Section 17(a) of the Securities Act, in that it directly and indirectly, in the offer or sale of securities by the use of the means or instruments of transportation or communication in interstate commerce or by the use of the mails: (a) acting knowingly or recklessly, employed devices, schemes or artifices to defraud; (b) obtained money or property by means of untrue statements of material fact or omissions to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (c) engaged in transactions, practices or courses of business which operated as a fraud or deceit upon purchasers of the securities. Columbia Distributor offered and sold shares of the Columbia Funds using prospectuses that contained materially misleading statements. As discussed above, a number of Columbia Distributor's senior executives knew of and participated in arrangements under which Columbia Funds allowed certain shareholders to engage in short-term and excessive trading. They knew or were reckless in not knowing that these arrangements were not disclosed in the prospectuses for the funds, and, in or after 2001, that the arrangements were directly contrary to the fund prospectus disclosure, which represented that the funds did not permit short-term or excessive trading.

59. As a result of the conduct described in Section III above and specifically the conduct described in paragraph 58 above, Columbia Distributor willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, in that it directly or indirectly, in connection with the purchase or sale of securities, by the use of means and instrumentalities of interstate commerce,

or of the mails, or a facility of a national securities exchange: (a) employed devices, schemes or artifices to defraud; (b) made untrue statements of material fact or omitted to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading; and (c) engaged in acts, practices, or courses of business which operated as a fraud or deceit upon certain persons.

60. As a result of the conduct described in Section III above, Columbia Distributor willfully violated Section 15(c) of the Exchange Act, by effecting transactions in, or inducing or attempting to induce, the purchase or sale of securities (other than on a national securities exchange of which it was a member) by means of a manipulative, deceptive, or other fraudulent device or contrivance.

Certain Remedial Efforts and Undertakings

61. In determining to accept the Offers, the Commission considered the following efforts voluntarily undertaken by the Columbia Funds:²

- a. Within 90 days of the date of this Order, the Columbia Funds will operate in accordance with the following governance policies and practices:
 - i. No more than 25% of the members of the board of trustees of any Columbia Fund will be persons who either: (A) were directors, officers or employees of any respondent named in this Order or the Bank of America Order, or any successor entity, at any point during the preceding 10 years; or (B) are interested persons, as defined in the Investment Company Act, of the Fund or of any respondent named in this Order or the Bank of America Order. In the event that the board of trustees fails to meet this requirement at any time due to the death, resignation, retirement

² The undertakings set forth herein shall be binding upon all successors to Respondents. To the extent that any such successor entity shall be subject to the Order Instituting Administrative and Cease-and-Desist Proceedings, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order in the matter of Banc of America Capital Management, LLC, BACAP Distributors, LLC, and Banc of America Securities, LLC (“the Bank of America Order”), which is being entered simultaneously with this Order, if any undertakings contained in the Bank of America Order are inconsistent with this Order, the undertakings of the Bank of America Order shall govern the successor entity’s conduct. As used herein, “Columbia Fund” means all registered investment companies currently or hereafter managed by a subsidiary of Columbia Management Group, and shall include all predecessor and successor entities at such time as they are or were managed by a subsidiary of Columbia Management Group. Columbia Management Group includes any successor to that entity with the same direct or indirect ownership as Columbia Management Group’s current ownership.

or removal of any independent trustee, the independent trustees will take such steps as may be necessary to bring the board in compliance within a reasonable period of time;

- ii. No chairman of the board of trustees of any Columbia Fund will either: (A) have been a director, officer or employee of any respondent named in this Order or the Bank of America Order, or any successor entity, during the preceding 10 years; or (B) be an interested person, as defined in the Investment Company Act, of the Fund or of any respondent named in this Order or the Bank of America Order, or any successor entity; and
 - iii. Any person who acts as counsel to the independent trustees of any Columbia Fund will be an “independent legal counsel” as defined by Rule 0-1 under the Investment Company Act and will not have any employment, consultant, attorney-client, auditing or other professional relationship with any respondent named in this Order; with Banc of America Capital Management, LLC or BACAP Distributors, LLC; or with any successor entity to any of those entities.
- b. No action will be taken by the board of trustees of any Columbia Fund or by any committee thereof unless such action is approved by a majority of the members of the board of trustees or of such committee, as the case may be, who are neither: (i) persons who were directors, officers or employees of any respondent named in this Order or in the Bank of America Order, or any successor entity, at any point during the preceding 10 years; or (ii) interested persons, as defined in the Investment Company Act, of the Fund or of any respondent named in this Order or in the Bank of America Order, or any successor entity. In the event that any action proposed to be taken by and approved by a vote of a majority of the independent trustees of a fund is not approved by the full Board of Trustees, the fund will disclose such proposal and the related board vote in its shareholder report for such period.
 - c. Commencing in 2005 and not less than every fifth calendar year thereafter, each Columbia Fund will hold a meeting of shareholders at which the board of trustees will be elected.
 - d. Each of the Columbia Funds will designate an independent compliance officer reporting to its board of trustees as being responsible for assisting the board of trustees and any of its committees in monitoring compliance by Respondents and their successor entities with the federal securities laws, those entities’ fiduciary duties to fund shareholders and the Code of Ethics in all matters relevant to the operation of the Columbia Funds. The duties of this person will include reviewing all compliance reports furnished to the board of trustees or its committees by Columbia-affiliated entities, attending meetings of Columbia Advisors’ Internal Compliance Controls

Committee and of Columbia Distributor's Internal Compliance Controls Committee to be established pursuant to Respondents' undertakings set forth in Section IV below, serving as liaison between the board of trustees and its committees and the chief compliance officer of Columbia-affiliated entities, making such recommendations to the board of trustees regarding respondents' and successor entities' compliance procedures as may appear advisable from time to time, and promptly reporting to the board of trustees any material breach of fiduciary duty, breach of the Code of Ethics and/or violation of the federal securities laws of which he or she becomes aware in the course of carrying out his or her duties.

62. In determining to accept the Offers, the Commission further considered the following undertakings by Respondents: Ongoing Cooperation: Respondents shall cooperate fully with the Commission in any and all investigations, litigations or other proceedings relating to or arising from the matters described in the Order. In connection with such cooperation, Respondents have undertaken:

- a. To produce promptly, without service of a notice or subpoena, any and all documents and other information requested by the Commission's staff;
- b. To use their best efforts to cause their employees to be interviewed by the Commission's staff at such times as the staff reasonably may direct;
- c. To use their best efforts to cause their employees to appear and testify truthfully and completely without service of a notice or subpoena in such investigations, depositions, hearings or trials as may be requested by the Commission's staff, at such times as the staff reasonably may direct; and
- d. That in connection with any testimony of Respondents to be conducted at deposition, hearing or trial pursuant to a notice or subpoena, Respondents:
 - i.. Agree that any such notice or subpoena for Respondents' appearance and testimony may be served by regular mail on their attorneys, Bingham McCutchen, LLP, 150 Federal Street, Boston, Massachusetts 02110-1726, att'n: Steven W. Hansen, Esq.; and
 - ii. Agree that any such notice or subpoena for Respondents' appearance and testimony in an action pending in a United States District Court may be served, and may require testimony, beyond the territorial limits imposed by the Federal Rules of Civil Procedure.

63. Compliance and Oversight Structure. Respondent Columbia Advisors shall maintain a compliance and ethics oversight infrastructure having the following characteristics:

- a. Columbia Advisors shall maintain a Code of Ethics Oversight Committee having responsibility for all matters relating to issues arising under the Columbia Code of Ethics. The Code of Ethics Oversight Committee shall be comprised of senior executives of Columbia Advisors. Columbia Advisors shall hold at least quarterly meetings of the Code of Ethics Oversight Committee to review violations of the Code of Ethics, as well as to consider policy matters relating to the Code of Ethics. Columbia Advisors shall report on issues arising under the Code of Ethics to the extent relating to fund business, including all violations thereof, to the Compliance or Audit Committee of the pertinent Board of Trustees of the Columbia Funds advised by Columbia Advisors with such frequency as the Compliance or Audit Committee may instruct, and in any event at least quarterly, provided however that any material violation shall be reported promptly.
- b. Columbia Advisors shall establish an Internal Compliance Controls Committee to be chaired by its chief compliance officer, which Committee shall have as its members senior executives of Columbia Advisors. Notice of all meetings of the Internal Compliance Controls Committee shall be given to the independent compliance officer of the trustees of the Columbia Funds advised by Columbia Advisors, who shall be invited to attend and participate in such meetings. The Internal Compliance Controls Committee for Columbia Advisors shall review compliance issues throughout the business of Columbia Advisors, endeavor to develop solutions to those issues as they may arise from time to time, and oversee implementation of those solutions. The Internal Compliance Controls Committee shall provide reports on internal compliance matters to the Compliance or Audit Committee of the boards of trustees of the Columbia Funds advised by Columbia Advisors with such frequency as the independent trustees of such funds may instruct, and in any event at least quarterly. Columbia Advisors shall also provide to the Board of Directors of Columbia Advisors or any successor entity the same reports of the Code of Ethics Oversight Committee and the Internal Compliance Controls Committee that it provides to the Compliance or Audit Committee of the Columbia Funds advised by Columbia Advisors.
- c. Columbia Advisors shall at its own expense establish and staff a full-time senior-level position whose responsibilities shall include compliance matters related to conflicts of interests. This officer will report directly to the chief compliance officer of Columbia Advisors.
- d. Columbia Advisors shall require that its chief compliance officer or a member of his or her staff shall review compliance with the policies and procedures established to address compliance issues under the Securities Act, Exchange Act, Investment Advisers Act and Investment Company Act and that any violations be reported to the Internal Compliance Controls Committee.

- e. Columbia Advisors shall require that its chief compliance officer report to the independent trustees of the Columbia Funds advised by Columbia Advisors any breach of fiduciary duty and/or the federal securities laws of which he or she becomes aware in the course of carrying out his or her duties, with such frequency as the independent trustees may instruct, and in any event at least quarterly, provided however that any material breach (i.e., any breach that would be important, qualitatively or quantitatively, to a reasonable trustee) shall be reported promptly.
- f. Columbia Advisors shall establish a corporate ombudsman to whom employees may convey concerns about Columbia business matters that they believe implicate matters of ethics or questionable practices. Columbia Advisors shall establish procedures to investigate matters brought to the attention of the ombudsman, and these procedures shall be presented for review and approval by the independent trustees of the Columbia Funds advised by Columbia Advisors. Columbia Advisors shall also review matters to the extent relating to fund business brought to the attention of the ombudsman, along with any resolution of such matters, with the independent trustees of the Columbia Funds advised by Columbia Advisors with such frequency as the independent trustees of such funds may instruct.

64. Respondent Columbia Distributor shall maintain a compliance and ethics oversight infrastructure having the following characteristics:

- a. Columbia Distributor shall maintain a Code of Ethics Oversight Committee having responsibility for all matters relating to issues arising under the Columbia Code of Ethics. The Code of Ethics Oversight Committee shall be comprised of senior executives of Columbia Distributor. Columbia Distributor shall hold at least quarterly meetings of the Code of Ethics Oversight Committee to review violations of the Code of Ethics, as well as to consider policy matters relating to the Code of Ethics. Columbia Distributor shall report on issues arising under the Code of Ethics to the extent relating to fund business, including all violations thereof, to the Compliance or Audit Committee of the pertinent Board of Trustees of any fund distributed by Columbia Distributor with such frequency as the Compliance or Audit Committee may instruct, and in any event at least quarterly, provided however that any material violation shall be reported promptly.
- b. Columbia Distributor shall establish an Internal Compliance Controls Committee to be chaired by its chief compliance officer, which Committee shall have as its members senior executives of Columbia Distributor. Notice of all meetings of the Internal Compliance Controls Committee shall be given to the independent compliance officer of the trustees of the funds distributed by Columbia Distributor, who shall be invited to attend and participate in such meetings. The

Internal Compliance Controls Committee for Columbia Distributor shall review compliance issues throughout the business of Columbia Distributor, endeavor to develop solutions to those issues as they may arise from time to time, and oversee implementation of those solutions. The Internal Compliance Controls Committee shall provide reports on internal compliance matters to the Compliance or Audit Committee of the trustees of the funds distributed by Columbia Distributor with such frequency as the independent trustees of such funds may instruct, and in any event at least quarterly. Columbia Distributor shall also provide to the Board of Directors of Columbia Distributor or any successor entity the same reports of the Code of Ethics Oversight Committee and the Internal Compliance Controls Committee that it provides to the Compliance or Audit Committee of the funds distributed by Columbia Distributor.

- c. Columbia Distributor shall at its own expense establish and staff a full-time senior-level position whose responsibilities shall include compliance matters related to conflicts of interests. This officer will report directly to the chief compliance officer of Columbia Distributor.
- d. Columbia Distributor shall require that Columbia's chief compliance officer or a member of his or her staff review compliance with the policies and procedures established to address compliance issues under the Securities Act, Exchange Act, Investment Advisers Act and Investment Company Act and that any violations be reported to the Internal Compliance Controls Committee.
- e. Columbia Distributor shall require that its chief compliance officer report to the independent trustees of the funds distributed by Columbia Distributor any breach of fiduciary duty and/or the federal securities laws of which he or she becomes aware in the course of carrying out his or her duties, with such frequency as the independent trustees may instruct, and in any event at least quarterly, provided however that any material breach (i.e., any breach that would be important, qualitatively or quantitatively, to a reasonable trustee) shall be reported promptly.
- f. Columbia Distributor shall establish a corporate ombudsman to whom employees may convey concerns about Columbia business matters that they believe implicate matters of ethics or questionable practices. Columbia Distributor shall establish procedures to investigate matters brought to the attention of the ombudsman, and these procedures shall be presented for review and approval by the independent trustees of the Columbia Funds. Columbia Distributor shall also review matters to the extent relating to fund business brought to the attention of the ombudsman, along with any resolution of such matters, with the independent trustees of the funds distributed by Columbia Distributor with such frequency as the independent trustees of such funds may instruct.

65. Independent Compliance Consultants.

- a. Respondent Columbia Advisors shall retain, within 30 days of the date of entry of the Order, the services of an Independent Compliance Consultant (“the Adviser Consultant”) not unacceptable to the staff of the Commission and a majority of the independent trustees of the Columbia Funds advised by Columbia Advisors. The Adviser Consultant’s compensation and expenses shall be borne exclusively by Respondent. Respondent shall require the Adviser Consultant to conduct a comprehensive review of Respondent’s supervisory, compliance, and other policies and procedures designed to prevent and detect conflicts of interest, breaches of fiduciary duty, breaches of the Code of Ethics and federal securities law violations by Respondent and its employees. This review shall include, but shall not be limited to, a review of Respondent’s market timing and late trading controls across all areas of its business, a review of the pricing practices of the Columbia Funds advised by Columbia Advisors that may make those funds vulnerable to market timing, a review of the utilization by the Columbia Funds advised by Columbia Advisors of short-term trading fees and other controls for deterring excessive short-term trading, a review of possible governance changes in the boards of the Columbia Funds advised by Columbia Advisors to include committees organized by market sector or other criteria so as to improve compliance, and a review of Respondent’s policies and procedures concerning conflicts of interest, including conflicts arising from advisory services to multiple clients. Respondent shall require the Adviser Consultant also to review Respondent’s policies and procedures concerning provision of non-public information relating to fund portfolio holdings and weighted value. Respondent shall cooperate fully with the Adviser Consultant and shall provide the Adviser Consultant with access to its files, books, records, and personnel as reasonably requested for the review.

- b. Respondent Columbia Distributor shall retain, within 30 days of the date of entry of the Order, the services of an Independent Compliance Consultant (“the Distributor Consultant”) not unacceptable to the staff of the Commission and the majority of the independent trustees of the funds distributed by Columbia Distributor. The Distributor Consultant’s compensation and expenses shall be borne exclusively by Respondent. Respondent shall require the Distributor Consultant to conduct a comprehensive review of Respondent’s sales practices, supervisory, compliance, and other policies and procedures designed to prevent and detect conflicts of interest, breaches of fiduciary duty, breaches of the Codes of Ethics and federal securities law violations by Respondent and its employees. The Respondent shall require the Distributor Consultant also to review Respondent’s policies and procedures concerning provision of non-public information relating to fund portfolio holdings and weighted value. Respondent

shall cooperate fully with the Distributor Consultant and shall provide the Distributor Consultant with access to its files, books, records, and personnel as reasonably requested for the review.

- c. Respondents shall require that, at the conclusion of the reviews by the Adviser Consultant and Distributor Consultant (collectively referred to as the Independent Compliance Consultants), which in no event shall be more than 120 days after the date of entry of the Order, each Independent Compliance Consultant shall submit a Report to the Respondent, the trustees of the Columbia Funds advised by Columbia Advisors (in the case of Columbia Advisors) and funds distributed by Columbia Distributor (in the case of Columbia Distributor), and the staff of the Commission. The Respondents shall require that the Adviser Consultant's Report address the issues described in paragraph 65(a) of this Order and the Distributor Consultant's Report shall address the issues described in paragraph 65(b) of this Order. Respondents shall require that each Report include a description of the review performed, the conclusions reached, the Independent Compliance Consultant's recommendations for changes in or improvements to policies and procedures of Respondents and the pertinent Funds, and a procedure for implementing the recommended changes in or improvements to Respondents' policies and procedures.
- d. Respondents shall adopt all recommendations with respect to Respondents contained in the Reports of the Independent Compliance Consultants; provided, however, that within 150 days after the date of entry of the Order, Respondents shall in writing advise the Independent Compliance Consultants, the trustees of the pertinent Columbia Funds and the staff of the Commission of any recommendations that a Respondent considers to be unnecessary or inappropriate. With respect to any recommendation that Respondents consider unnecessary or inappropriate, Respondents need not adopt that recommendation at that time but shall propose in writing an alternative policy, procedure or system designed to achieve the same objective or purpose.
- e. As to any recommendation with respect to Respondents' policies and procedures on which Respondents and the Independent Compliance Consultants do not agree, such parties shall attempt in good faith to reach an agreement within 180 days of the date of entry of the Order. In the event Respondents and the Independent Compliance Consultants are unable to agree on an alternative proposal acceptable to the staff of the Commission, Respondents will abide by the determinations of the Independent Compliance Consultants.
- f. Respondents: (a) shall not have the authority to terminate the Independent Compliance Consultants, without the prior written approval of a majority of the

independent trustees of the Columbia Funds advised by Columbia Advisors (in the case of Columbia Advisors) and funds distributed by Columbia Distributor (in the case of Columbia Distributor) and the staff of the Commission; (b) shall compensate the Independent Compliance Consultants, and persons engaged to assist the Independent Compliance Consultants, for services rendered pursuant to the Order at their reasonable and customary rates; and (c) shall not be in and shall not have an attorney-client relationship with the Independent Compliance Consultants and shall not seek to invoke the attorney-client or any other doctrine or privilege to prevent the Independent Compliance Consultants from transmitting any information, reports, or documents to the trustees or the Commission.

- g . Respondents shall require that the Independent Compliance Consultants, for the period of the engagement and for a period of two years from completion of the engagement, shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with any Respondent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such, provided, however, that notwithstanding the foregoing the Independent Compliance Consultants may serve as Independent Compliance Consultants pursuant to the Bank of America Order. Respondents shall require that any firm with which an Independent Compliance Consultant is affiliated in performance of his or her duties under the Order shall not, without prior written consent of the independent trustees of the Columbia Funds advised by Columbia Advisors (in the case of Columbia Advisors) and funds distributed by Columbia Distributor (in the case of Columbia Distributor) and the staff of the Commission, enter into any employment, consultant, attorney-client, auditing or other professional relationship with any Columbia-affiliated entity, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

66. Periodic Compliance Review. Commencing in 2006, and at least once every other year thereafter, Respondents shall undergo a compliance review by a third party, who is not an interested person, as defined in the Investment Company Act, of Respondents. At the conclusion of the review Respondents shall require the third party to issue a report of its findings and recommendations concerning Respondents' supervisory, compliance, and other policies and procedures designed to prevent and detect breaches of fiduciary duty, breaches of the Code of Ethics and federal securities law violations by Respondents and their employees in connection with their duties and activities on behalf of and related to the Columbia Funds advised by Columbia Advisors (in the case of Columbia Advisors) and funds distributed by Columbia Distributor (in the case of Columbia Distributor). Each such report shall be promptly delivered by Respondents to the Internal Compliance Controls Committee of Columbia Advisors or Columbia Distributor; and to the Compliance or Audit Committee of the board of trustees of

each Columbia Fund advised by Columbia Advisors (in the case of Columbia Advisors) and funds distributed by Columbia Distributor (in the case of Columbia Distributor).

67. Independent Distribution Consultant. Respondents shall retain, within 10 days of the date of entry of the Order, the services of an Independent Distribution Consultant not unacceptable to the staff of the Commission and the independent trustees of the Columbia Funds. The Independent Distribution Consultant's compensation and expenses shall be borne exclusively by Respondents. Respondents shall cooperate fully with the Independent Distribution Consultant and shall provide the Independent Distribution Consultant with access to their files, books, records, and personnel as reasonably requested for the review. Respondents shall require that the Independent Distribution Consultant develop a Distribution Plan for the distribution of the total disgorgement and penalty ordered in paragraph IV. below, and any interest or earnings thereon, according to a methodology developed in consultation with Respondents and the independent trustees of the Columbia Funds and acceptable to the staff of the Commission.

- a. Respondents shall require that the Independent Distribution Consultant submit to Respondents and the staff of the Commission the Distribution Plan no more than 100 days after the date of entry of the Order.
- b. The Distribution Plan developed by the Independent Distribution Consultant shall be binding unless, within 130 days after the date of entry of the Order, Respondents or the staff of the Commission advise, in writing, the Independent Distribution Consultant of any determination or calculation from the Distribution Plan that it considers to be inappropriate and states in writing the reasons for considering such determination or calculation inappropriate.
- c. With respect to any determination or calculation of the Independent Distribution Consultant with which Respondents or the staff of the Commission do not agree, such parties shall attempt in good faith to reach an agreement within 160 days of the date of entry of the Order. In the event that Respondents and the staff of the Commission are unable to agree on an alternative determination or calculation, the determinations and calculations of the Independent Distribution Consultant shall be binding.
- d. Within 175 days of the date of entry of this Order, Respondents shall require that the Independent Distribution Consultant submit the Distribution Plan for the administration and distribution of disgorgement and penalty funds pursuant to Rule 1101 [17 C.F.R. § 201.1101] of the Commission's Rules Regarding Disgorgement and Fair Fund Plans. Following a Commission order approving a final plan of disgorgement, as provided in Rule 1104 [17 C.F.R. § 201.1104] of the Commission's

Rules Regarding Disgorgement and Fair Fund Plans, the Independent Distribution Consultant and Respondents shall take all necessary and appropriate steps to administer the final plan for distribution of disgorgement and penalty funds.

- e. Respondents shall require that the Independent Distribution Consultant, for the period of the engagement and for a period of two years from completion of the engagement, not enter into any employment, consultant, attorney-client, auditing or other professional relationship with either Respondent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such, provided, however, that notwithstanding the foregoing the Independent Distribution Consultant may serve as Independent Distribution Consultant pursuant to the Bank of America Order. Respondents shall require that any firm with which the Independent Distribution Consultant is affiliated in performance of his or her duties under the Order not, without prior written consent of the independent trustees and the staff of the Commission, enter into any employment, consultant, attorney-client, auditing or other professional relationship with either Respondent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

68. Excess Recovery. If Respondents, in their own right, recover in respect of the actions set forth in this order an amount, after fees and expenses, in excess of the aggregate amount paid by Respondents for the benefit of the Funds or their shareholders (exclusive of any portion of the civil penalty that is paid for the benefit of the Funds or their shareholders), then the excess amount shall be paid to the Commission for distribution as contemplated by paragraph 67 above.

69. Certification. No later than twenty-four months after the date of entry of the Order, the chief executive officer of each Respondent shall certify to the Commission in writing that Respondent has fully adopted and complied in all material respects with the requirements set forth in paragraphs 63 through 68 of this section and with the recommendations of the Independent Compliance Consultants or, in the event of material non-adoption or non-compliance, shall describe such material non-adoption and non-compliance.

70. Recordkeeping. Respondents shall preserve for a period not less than six years from the end of the fiscal year last used, the first two years in an easily accessible place, any record except electronic mail as set forth below, of Respondents' compliance with the undertakings set forth in paragraphs 63 through 68 of this section. Respondents shall preserve for a period not less than three years from the end of the fiscal year last used, the first two years in an easily accessible place, any electronic mail record of Respondents' compliance with the undertakings set forth in paragraphs 63 through 68 of this section.

71. Deadlines. For good cause shown, the Commission's staff may extend any of the procedural dates set forth above.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions specified in Respondents' Offers.

Accordingly, it is hereby ORDERED, effective immediately, that:

- A. Pursuant to Section 203(e) of the Advisers Act, Columbia Advisors is hereby censured.
- B. Pursuant to Section 15(b)(4) of the Exchange Act, Columbia Distributor is hereby censured.
- C. Pursuant to Section 203(k) of the Advisers Act and Section 9(f) of the Investment Company Act, Respondent Columbia Advisors shall cease and desist from committing or causing any violations and any future violations of Sections 204A, 206(1) and 206(2) of the Advisers Act and Sections 17(d) and 34(b) of the Investment Company Act and Rule 17d-1 thereunder.
- D. Pursuant to Section 8A of the Securities Act, Section 21C of the Exchange Act, Section 203(k) of the Advisers Act and Section 9(f) of the Investment Company Act, Respondent Columbia Distributor shall cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, Sections 10(b) and 15(c) of the Exchange Act and Rule 10b-5 thereunder, Sections 206(1) and 206(2) of the Advisers Act and Sections 17(d) and 34(b) of the Investment Company Act and Rule 17d-1 thereunder.
- E. Respondents shall pay, within 20 days of the entry of the Order, on a joint and several basis, \$70,000,000 in disgorgement plus a civil money penalty of \$70,000,000, for a total payment of \$140,000,000.
 1. Such payment shall be: (a) made by wire transfer, United States postal money order, certified check, bank cashier's check or bank money order; (b) made payable to the Securities and Exchange Commission; (c) wired, hand-delivered, or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22132; and (d) submitted under cover letter that identifies Columbia Advisors and Columbia Distributor as Respondents in these proceedings, a copy of which cover letter, wire transfer instruction, money order, or check shall be sent to David P. Bergers, Associate District Administrator, Securities and Exchange Commission, Boston District Office, 73 Tremont Street, Boston, MA 02108.

2. There shall be, pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, a Fair Fund established for the funds described in Section IV.E. Regardless of whether any such Fair Fund distribution is made, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that they shall not, in any Related Investor Action, benefit from any offset or reduction of any investor's claim by the amount of any Fair Fund distribution to such investor in this proceeding that is proportionately attributable to the civil penalty paid by Respondents ("Penalty Offset"). If the court in any Related Investor Action grants such an offset or reduction, Respondents agree that they shall, within 30 days after entry of a final order granting the offset or reduction, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed against Respondents in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against a Respondent by or on behalf of one or more investors based on substantially the same facts as set forth in the Order in this proceeding.
- F. Respondents shall comply with the undertakings set forth in paragraphs 63 through 70 above.
- G. Other Obligations and Requirements. Nothing in this Order shall relieve Respondents or any Columbia Fund of any other applicable legal obligation or requirement, including any rule adopted by the Commission subsequent to this Order.

By the Commission.

Jonathan G. Katz
Secretary