

COLUMBIA FAIR FUND DISTRIBUTION **STATEMENT TO ELIGIBLE INVESTORS**

INTRODUCTION

You have received a distribution payment from a Fair Fund established by the U.S. Securities and Exchange Commission ("SEC"). Your payment has been calculated based on information contained in the records of Columbia Management Advisors, Inc. and Columbia Funds Distributor, Inc. (collectively, "Respondents"), and of third party intermediaries. The distribution payment is intended by the SEC to compensate you for harm to your mutual fund investment(s) due to market timing.

This statement provides information to help you determine the U.S. federal income tax consequences of the distribution payment if you are a citizen or resident of the U.S. for U.S. federal income tax purposes.

YOU SHOULD NOT RELY ON THIS STATEMENT AS TAX ADVICE. CONSULT YOUR TAX ADVISOR WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF THE DISTRIBUTION PAYMENT, INCLUDING THE EFFECTS OF U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX RULES AND THE EFFECT OF POSSIBLE CHANGES IN LAWS.

In 2005, in the proceeding *In the Matter of Columbia Management Advisors, Inc. and Columbia Funds Distributor, Inc.*, Admin. Proc. No. 3-11814, the SEC issued an order instituting and simultaneously settling public administrative and cease-and-desist proceedings against the respondents to those SEC proceedings ("Order"). In the Order, the SEC authorized and established a Fair Fund of \$140 million in disgorgement and penalties paid by the Respondents (the "Columbia Fair Fund"). According to the Order, the Columbia Fair Fund is to be distributed to investors injured by market timing in various Columbia Funds pursuant to a distribution plan ("Distribution Plan") to be developed by an Independent Distribution Consultant (the "IDC"), Lawrence Hamermesh, a Professor of Corporate and Business Law at Widener University School of Law in Wilmington, Delaware.

On April 6, 2007, the SEC approved the Distribution Plan, which provides for distribution to all eligible investors of their share of the disgorgement and penalties paid by Respondents. The Distribution Plan compensates such investors for harm they suffered as a result of market timing in the Columbia Funds for the period spanning 1998 to 2003. Prior to any distribution, the Columbia Fair Fund held a total of \$140 million plus accumulated interest.

The Columbia Fair Fund is a Qualified Settlement Fund ("QSF") under the Internal Revenue Code. Damasco & Associates LLP was appointed as the Tax Administrator for the QSF. The SEC authorized Damasco & Associates LLP to

seek a Private Letter Ruling (“PLR”) from the Internal Revenue Service (“IRS”) on behalf of the Columbia QSF. A PLR was obtained that provides guidance to the Columbia QSF with respect to the tax reporting obligations of the Columbia QSF in making a distribution to you.¹ The PLR does not address your tax compliance obligations as an investor receiving a distribution payment. Damasco & Associates LLP has participated in the preparation of this Statement, but is not providing services or advice to you or any other eligible investor receiving a distribution payment.

Some eligible investors may be subject to special tax rules, including, without limitation, if you are a non-U.S. investor, if you hold your shares in a tax-qualified retirement plan or an individual retirement account (“IRA”) (except as specifically discussed below), or if you are a tax-qualified retirement plan. This statement does not address the tax consequences under any state, local or non-U.S. tax laws, or the alternative minimum tax provisions of the Internal Revenue Code.

THE DISTRIBUTION PAYMENT

Pursuant to the Distribution Plan, “the methods of calculation of each eligible . . . 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.”

Furthermore, the Distribution Plan provides that in addition to the above calculation, the “Distribution Plan will also return, to . . . holders of the funds affected by such [market timing] trading, advisory and administrative fees paid by those funds to Respondents . . .”

Accordingly, your payment is comprised of a “dilution component” and an “advisory fee component.” These calculations were performed by the IDC. The dilution component represents how the Respondents’ conduct has impaired the value of your mutual fund shares. The advisory fee component represents your calculated share of advisory fees that were paid by the mutual funds to the Respondents. Each component has different tax consequences (discussed below).

A. Dilution Component

¹ The Tax Administrator obtained the following PLRs: 200645008, 200645017, 200646010, 200701001, 200702006, 200702008, 200702009, 200702010, 200702011, 200702012, 200702048, 200703008, 200703009, 200703010, 200703034, 200712004, and 200712005. You may obtain copies of these PLRs from the IRS Web Site, www.irs.gov. Two additional PLRs were obtained and will be available on June 1, 2007.

The dilution component of your payment is intended to compensate you for harm to the value of your mutual fund investment caused by market timing in certain Columbia Funds. This harm has been measured as dilution in the share price. This payment is not income to you to the extent of your basis in your investment; however, you must adjust your basis downward by the amount of the payment.

Example 1: You have a basis in your shares of \$100. You have received a distribution from the Columbia Fair Fund in the amount of \$10 as compensation for the harm to the value of your mutual fund investment caused by market timing in certain Columbia funds. You do not have gross income as a result of the dilution component of distribution *BUT* your basis is reduced to \$90 for purposes of determining gain or loss in the future.

Example 2: You have a basis in your shares of \$400. You have received a distribution from the Columbia Fair Fund in the amount of \$1,000 as compensation for the harm to the value of your mutual fund investment caused by market timing in certain Columbia funds. Your basis is reduced to zero for purposes of determining gain or loss in the future *AND* you have \$600 of gain.

The QSF will not issue a Form 1099 to you for your payment representing harm to the value of your mutual fund investment. The IRS has ruled that the Columbia Fair Fund QSF is not required to report these harm payments. Nevertheless, you should consult with your tax advisor as to how to report any gross income, such as that described in Example 2.²

B. Advisory Fee Component

The advisory fee component of your payment is intended to compensate you for advisory fees paid by the mutual fund to the Respondents. The advisory fee component *may* constitute ordinary income to you. Whether the advisory fee component is income to you depends on several factors including whether the mutual fund(s) made a distribution taxable as ordinary income (as opposed to taxable as capital gain) in a year covered by this proceeding in which the mutual fund paid these advisory fees.

The advisory fee component of your payment may be allocated among the mutual funds in which you invested, and the years at issue, in a reasonable manner according to your holdings. The following information may prove helpful

² There may be some circumstances in which the QSF will issue information returns and will report payments to the IRS. These circumstances are beyond the scope of this Statement to Investors and are addressed in the PLR obtained on behalf of the QSF.

to you and/or your tax advisor in determining whether the advisory fee component of your payment is ordinary income to you:

MUTUAL FUND	YEAR	FUND MADE DISTRIBUTION TAXABLE AS ORDINARY INCOME	MUTUAL FUND	YEAR	FUND MADE DISTRIBUTION TAXABLE AS ORDINARY INCOME	
COLUMBIA ACORN INTERNATIONAL FUND	1998	Yes	COLUMBIA SMALL CAP VALUE FUND	1998	No	
	1999	Yes		1999		
	2000	Yes		2000		
	2001	No		2001		
	2002	Yes		2002		
	2003	Yes		2003		
	2004	No		2004		
COLUMBIA ACORN INTL SELECT FUND	1998	No	COLUMBIA SMALL COMPANY EQUITY FUND	1998	No	
	1999	No		1999	Yes	
	2000	Yes		2000	No	
	2001	Yes		2001	No	
	2002	No		2002	No	
	2003	Yes		2003	No	
	2004	No		2004	No	
COLUMBIA GLOBAL EQUITY FUND	1998	Yes	COLUMBIA YOUNG INVESTOR FUND	1998	No	
	1999	Yes		1999		
	2000	No		2000		
	2001	No		2001		
	2002	No		2002		
	2003	No		2003		
	2004	No		2004		
COLUMBIA GROWTH STOCK FUND	1998	No	LIBERTY GROWTH STOCK FUND	1998	No	
	1999			1999		
	2000			2000		
	2001			2001		
	2002			2002		
	2003			2003		
	2004			2004		
COLUMBIA INTERNATIONAL EQUITY FUND	1998	Yes	LIBERTY NEWPORT INTL EQUITY FUND	1998	Yes	
	1999	Yes		1999	Yes	
	2000	Yes		2000	No	
	2001	Yes		2001	No	
	2002	Yes		2002	No	
	COLUMBIA INTERNATIONAL STOCK FUND	1998	No	SR CAPITAL OPPORTUNITIES FUND	1998	No
		1999	No		1999	
2000		No	2000			
COLUMBIA INTERNATIONAL STOCK FUND	2001	Yes	SR INTERNATIONAL FUND	1998	Yes	
	2002	Yes		1999	Yes	
	2003	Yes		2000	Yes	
	2004	No		2001	No	
				2002	No	
COLUMBIA NEWPORT GREATER CHINA FUND	1998	Yes	WANGER FOREIGN FORTY	1999	No	
	1999	Yes		2000	No	
	2000	No		2001	Yes	
	2001	Yes		2002	No	
	2002	Yes		2003	Yes	

(Continued from p.4)	2003	Yes	(Continued from p.4)	2004	No
	2004	No		1998	No
COLUMBIA NEWPORT JAPAN OPPS FUND	1998	No	WANGER INTERNATIONAL SMALL CAP FUND	1999	No
	1999	Yes		2000	No
	2000	No		2001	Yes
	2001	No		2002	No
	2002	No		2003	Yes
	2003	No		2004	No
	2004	No			
COLUMBIA NEWPORT TIGER FUND	1998	Yes	1784 GROWTH	1998	No
	1999	No		1999	No
	2000	Yes		2000	No
	2001	Yes		2001	No
	2002	Yes		2002	No
	2003	Yes	1784 INTERNATIONAL EQUITY	1999	No
	2004	No		2000	Yes

Absent a distribution taxable as ordinary income, the advisory fee component would be considered an adjustment to your basis to the extent of your basis in the mutual fund(s).³

SPECIAL ISSUES FOR INVESTMENTS HELD IN IRA OR TAX-QUALIFIED RETIREMENT PLANS

A. Columbia Fair Fund Distributions to IRA Accounts

Please follow the applicable instructions below if you received a check that is associated with an IRA.⁴

1. For Checks Payable to the Custodian but Mailed to the Investor

a. If you held some or all of your mutual fund shares through an IRA, in most cases the distribution check will have been made payable to your IRA custodian but mailed directly to you. You should deposit the check in your IRA account. **Caution:** If the check is cashed or deposited in any account other than an account eligible to receive the check, it may be subject to a 10% penalty and taxed as ordinary income in the year of receipt.

b. If your IRA custodian has changed, please contact the Administrator of the Columbia Fair Fund Distribution Plan at (800) 410-5361 with that information. You may be able to transfer the payment to another custodian, or roll the payment over to another IRA or eligible account. **Caution:** Please consult with your tax advisor because the rules related

³ If you use the specific identification method of determining basis when units are sold (as opposed to the dollar cost averaging method), your basis must be allocated among the units in a reasonable manner.

⁴ As a general rule, distribution payments from the Columbia Fair Fund received as a result of the investment held by your IRA do not constitute a "contribution" to your IRA for purposes of determining your maximum yearly contribution to your IRA.

to transfers and rollovers are complicated and failure to comply with those rules could subject the payment to income tax and a 10% penalty.

c. If you no longer hold your IRA, please contact the Administrator of the Columbia Fair Fund Distribution Plan at (800) 410-5361 with that information.

2. For Checks Payable to the Investor and Mailed to the Investor

If the distribution check was made payable to you (as opposed to the custodian of your IRA) because of the way your account was registered in the records obtained for the distribution, please contact the Administrator of the Columbia Fair Fund Distribution Plan immediately at (800) 410-5361 to get a replacement distribution check made payable to the custodian of your IRA. Caution: If you cash the check, or deposit it in any account other than an account eligible to receive the check, it may be subject to a 10% penalty and taxed as ordinary income in the year of receipt.

Additional information on this topic is available on the IRS Web Site www.irs.gov, Tax Topic 451 and Publication Number 590.

B. Columbia Fair Fund Distributions to Tax-Qualified Retirement Plans

1. Checks Mailed to Your Retirement Plan

If you held some or all of your mutual fund shares through a tax-qualified retirement plan, in most cases the distribution check was made payable and mailed to your tax-qualified retirement plan.⁵ Plan fiduciaries are responsible for allocating these funds. Please contact your plan fiduciary if you have questions

2. Checks Mailed to You

In limited instances, the distribution check was mailed to you and made payable to either (i) your retirement plan or (ii) you because of the way your account was registered in the records obtained for the distribution. **Please follow the applicable instructions below if you received a check that is associated with a tax-qualified retirement plan.**⁶

⁵ As a general rule, distribution payments from the Columbia Fair Fund received as a result of the investment held by your tax-qualified retirement plan do not constitute a "contribution" to your plan for purposes of determining your maximum yearly contribution to your plan or for purposes of determining your employer's contributions to your plan.

⁶ Many types of plans are eligible to accept rollover contributions (and the recently enacted Pension Protection Act of 2006 expanded the list of permissible recipient plans). More information on the Pension Protection Act of 2006 can be found at the IRS web site www.irs.gov.

a. For A Check Payable to Your Retirement Plan but Mailed to You

In some instances the check payable to your tax-qualified retirement plan was mailed to you because your address was the address of record. If *you* received a check made payable to your tax-qualified retirement plan, please follow the directions in i. or ii. below.

i. If you are still a participant in the tax-qualified retirement plan, contact your retirement plan trustee/administrator to coordinate the deposit of the check to your retirement plan.

ii. If you are no longer a participant in the tax-qualified retirement plan to which the distribution is directed, please contact the retirement plan trustee/administrator of your former tax-qualified retirement plan to determine the appropriate course of action. If you have difficulty making contact with your former plan trustee/ administrator, consult your tax advisor or contact the Administrator of the Columbia Fair Fund Distribution Plan at (800) 410-5361.

b. For a Check Payable to You and Mailed to You

Distributions with respect to investments held by a tax qualified plan should not be payable to individual investors. If you received such a check, this is an error likely due to the data available for the distribution. If you received a distribution check made payable to you in connection with an investment held by your tax-qualified retirement plan, please contact the Administrator of the Columbia Fair Fund Distribution Plan immediately at (800) 410-5361.

Additional information on this topic is available on the IRS Web Site www.irs.gov, Tax Topic 558.

Contact your tax advisor to determine the types of plans to which you may make a rollover contribution.