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COLONIAL INSURED MUNICIPAL FUND
Form N-CSR
February 08, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-9533

Colonial Insured Municipal Fund

(Exact name of registrant as specified in charter)

One Financial Center, Boston, Massachusetts 02111

(Address of principal executive offices) (Zip code)

Vincent Pietropaolo, Esq.
Columbia Management Group, Inc.
One Financial Center
Boston, MA 02111

(Name and address of agent for service)

Registrant's telephone number, including area code: 1-617-772-3698

Date of fiscal year end: November 30, 2005

Date of reporting period: November 30, 2005

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW,

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Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. Section 3507.

Item 1. Reports to Stockholders.

[PHOTO]

COLONIAL INSURED MUNICIPAL FUND

Annual Report
November 30, 2005

[LOGO] Not FDIC Insured May Lose Value
No Bank Guarantee

[GRAPHIC]

Dear Shareholder:

The US financial markets withstood a host of unfavorable factors to deliver a year of positive investment returns. Record energy prices took a significant bite out of household budgets and raised operating costs for industry. Higher short-term interest rates made borrowing more expensive. Two catastrophic hurricanes exacted an enormous personal toll from Americans living in the Gulf Coast: the storms claimed lives, disrupted energy flows and dealt a sharp blow to local job markets. Yet, the US economy moved ahead at a healthy pace during the 12-month period that began December 1, 2004 and ended November 30, 2005.

Fixed income markets delivered modest gains

In this environment, the US fixed income markets delivered positive but modest returns. Short-term interest rates rose steadily as the Federal Reserve Board raised a key intrabank lending rate. Longer-term rates remained low during most of the year. However, the yield on the 10-year US Treasury note, a bellwether for the bond market edged up to 4.5% by the end of this reporting period. In this environment, most domestic bond market sectors delivered low single-digit

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returns. Generally, high-yield bonds continued to perform well despite a setback in the spring, when bonds of certain high profile companies were downgraded. However, municipal bonds generally performed better than high yield bonds--even before accounting for their tax-exempt status--as state revenues increased and budgets stabilized.

In the pages that follow, your fund's manager discusses key factors that influenced performance. We urge you to read this report carefully and discuss any questions you might have with your financial advisor.

As always, we thank you for choosing Colonial Funds.

Sincerely,

/s/ Christopher L. Wilson

Christopher L. Wilson
President, Columbia Funds

Christopher L. Wilson is Head of Mutual Funds for Columbia Management and President of Columbia Funds, responsible for the day-to-day delivery of mutual fund services to the firm's investors. With the exception of distribution, Chris oversees all aspects of the mutual fund services operation, including treasury, investment accounting and shareholder and broker services.

Chris joined Bank of America in August 2004.

The views expressed in the President's Letter and Portfolio Manager's Report reflect current views of the respective parties. These views are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict so actual outcomes and results may differ significantly from the views expressed. These views are subject to change at any time based upon economic, market or other conditions and the respective parties disclaim any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Colonial Fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any particular Colonial Fund. References to specific company securities should not be construed as a recommendation or investment advice.

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PORTFOLIO MANAGER'S REPORT

For the 12-month period ended November 30, 2005, Colonial Insured Municipal Fund had a return of negative 0.52%, based on its market price. Changes in the market price of the fund's shares reflect investor demand and are not necessarily linked directly to changes in the fund's net asset value. The fund returned 5.43%, based on investment at net asset value. The average return of the fund's peer group, the Lipper Insured Municipal Debt Funds (Leveraged) Category, was 4.91% over the same period./1/

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Longer-maturity, non-callable bonds drove performance

A combination of significant events -- including successive Federal Reserve rate hikes, record high oil prices, a devastating hurricane season combined with generally benign inflation -- helped create an unusual scenario in the bond market: the gap between short- and long-term interest rates narrowed as short-term rates rose and rates on bonds with maturities longer than 15 years generally ended the period lower. Bond yields and prices move in opposite directions. This environment benefited the fund, which held a relatively large position in bonds with maturity dates 20 years and longer.

Many of the fund's long-term holdings are also non-callable, which means the issuer cannot redeem the bonds prior to maturity. These bonds did well because they performed in line with their stated maturities, whereas the market priced longer-term callable bonds to their call dates.

Leveraged positions helped returns

The fund earned some of its income through leverage, which comes from preferred shares issued in 1999 that allow the trust to borrow against its underlying investments. We invested the proceeds from the preferred shares in longer maturity, higher-yielding bonds, and then paid out income to preferred shareholders at a short-term rate influenced by the federal funds rate -- the overnight rate at which banks lend each other money. While leveraged positions provided the fund an income advantage over its non-leveraged peers, the payout rate to preferred shareholders rose as the federal funds rate increased, which reduced the total income earned by the fund over the past 12 months.

Looking ahead

We believe economic growth next year to be moderate. Although there are pockets of inflationary pressure, such as in education and health care, we generally expect inflation to remain muted. It may be difficult for businesses

/1/Lipper Inc., a widely respected data provider in the industry, calculates an average total return (assuming reinvestment of distributions) for mutual funds with investment objectives similar to those of the fund. Lipper makes no adjustment for the effect of sales loads.

*See page 16 for long term total returns based on market price.

Price per share as of 11/30/05 (\$)

Market price	13.02

Net asset value	14.47

1-year total return as of 11/30/05 (%)*

Market price	-0.52

Net asset value	5.43

Lipper Insured Municipal Debt Funds (Leveraged) Category average	4.91

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All results shown assume reinvestment of distributions.

Distributions declared per common share 12/01/04-11/30/05 (\$)
0.86

A portion of the fund's income may be subject to the alternative minimum tax. The fund may at times purchase tax-exempt securities at a discount from their original issue price. Some or all of this discount may be included in the fund's ordinary income, and any market discount is taxable when distributed.

Top 5 sectors as of 11/30/05 (%)

Special non-property tax	14.2
-----	-----
Local general obligations	9.1
-----	-----
Airports	7.7
-----	-----
Investor owned	7.4
-----	-----
Water & sewer	7.1
-----	-----

Quality breakdown as of 11/30/05 (%)

AAA	86.9
-----	-----
AA	2.6
-----	-----
A	5.5
-----	-----
BBB	0.6
-----	-----
BB	0.7
-----	-----
Non-rated	2.8
-----	-----
Cash equivalents	0.9
-----	-----

Sector and quality breakdowns are calculated as a percentage of total investments and net assets, respectively. Ratings shown in the quality breakdowns represent the rating assigned to a particular bond by one of the following nationally recognized rating agencies: Standard & Poor's, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service, Inc. or Fitch Ratings, Ltd. Ratings are relative and subjective and are not absolute standards of quality. The fund's credit quality does not remove market risk.

Because the fund is actively managed, there is no guarantee that the fund will continue to invest in these sectors or maintain these quality breakdowns in the future.

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PORTFOLIO MANAGER'S REPORT (continued)

[GRAPHIC]

to find ways to pass on higher costs because of global market pressures, such as labor competition, high productivity and technology advances. Also, a significant amount of global cash is invested in US assets. Foreign support for the US Treasury market, especially, could help keep US interest rates relatively low.

Against this backdrop, we will likely continue to focus on bonds with good call protection in maturities that offer a high potential for good return, typically around 20 years. However, we plan to continue to monitor economic data. If inflation accelerates, our outlook could change and we would alter our investment focus accordingly.

/s/ Kimberly A.Campbell

Kimberly Campbell has been the portfolio manager of Colonial Insured Municipal Fund since October 2003. Ms. Campbell has been with Columbia Management Advisors, LLC or its predecessors or affiliate organizations since 1995.

Shares of closed-end funds frequently trade at a discount to net asset value. The price of the fund's shares is determined by a number of factors, several of which are beyond the control of the fund. Therefore, the fund cannot predict whether its shares will trade at, below or above net asset value.

Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yield and share price fluctuations due to changes in interest rates.

Tax-exempt investing offers current tax-exempt income, but it also involves special risks. The value of the fund will be affected by interest rate changes and the creditworthiness of issues held in the fund. When interest rates go up, bond prices generally drop and vice versa. Interest income from certain tax-exempt bonds may be subject to certain state and local taxes and, if applicable, the alternative minimum tax. Capital gains are not exempt from income taxes.

Investing in high-yield or "junk" bonds offers the potential for higher income than investments in investment-grade bonds, but also has a higher degree of risk. Changes in economic conditions or other circumstances may adversely affect a high-yield bond issuer's ability to make timely principal and interest payments.

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[GRAPHIC]

INVESTMENT PORTFOLIO

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November 30, 2005

MUNICIPAL BONDS - 156.4%	PAR (\$)	VALUE (\$)

EDUCATION - 5.9%		
EDUCATION - 2.5%		
AR University Revenue, Construction UAMS Campus, Series 2004 B, Insured: MBIA 5.000% 11/01/28	1,475,000	1,531,935

	Education Total	1,531,935

STUDENT LOAN - 3.4%		
MT Higher Education Student Assistance Corp., Series 1999 B, AMT, 6.400% 12/01/32	2,000,000	2,104,280

	Student Loan Total	2,104,280

	EDUCATION TOTAL	3,636,215

HEALTH CARE - 9.6%		
CONTINUING CARE RETIREMENT - 1.9%		
NY Dormitory Authority, Miriam Osborn Memorial Home, Series 2000 B, Insured: ACA 6.875% 07/01/19	500,000	559,275
NY Suffolk County Industrial Development Agency, Jefferson Ferry, Series 1999 A, 7.200% 11/01/19	550,000	592,531

	Continuing Care Retirement Total	1,151,806

HEALTH SERVICES - 3.5%		
WI Health & Educational Facilities Authority, Marshfield Clinic, Series 1999, Insured: RAD 6.250% 02/15/29	2,000,000	2,171,680

	Health Services Total	2,171,680

HOSPITALS - 4.2%		
CO Health Facilities Authority, Parkview Medical Center, Inc., Series 2001, 6.600% 09/01/25	400,000	438,052
NV Henderson, Catholic Healthcare West, Series 1999 A, 6.750% 07/01/20	500,000	567,200
OK Industrial Authority Revenue		

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Refunding, Health Systems Obligation Group, Series A, Insured: MBIA 5.750% 08/15/29	1,155,000	1,235,977
WA Health Care Facilities Authority, Kadlec Medical Center, Series 2001, Insured: RAD 5.875% 12/01/21	300,000	321,204

	Hospitals Total	2,562,433

	HEALTH CARE TOTAL	5,885,919

PAR (\$) VALUE (\$)

HOUSING - 5.5% ASSISTED LIVING/SENIOR - 1.2% DE Kent County, Heritage at Dover, Series 1999, AMT, 7.625% 01/01/30	240,000	217,773
NC Medical Care Commission, DePaul Community Facilities, Series 1999, 7.625% 11/01/29	475,000	497,026

	Assisted Living/Senior Total	714,799

MULTI-FAMILY - 0.8% FL Broward County Housing Finance Authority, Chaves Lake Apartment Project, Series 2000 A, AMT, 7.500% 07/01/40	250,000	250,555
FL Clay County Housing Finance Authority, Madison Commons Apartments, Series 2000 A, AMT 7.450% 07/01/40	250,000	251,265

	Multi-Family Total	501,820

SINGLE-FAMILY - 3.5% AK Housing Finance Corp., Series 1999 A-1, Insured: FHA 6.150% 06/01/39	1,575,000	1,641,890
CA Rural Home Mortgage Finance Authority, Series 1998 A, AMT, Guarantor: GNMA 6.350% 12/01/29	105,000	106,224
CO Housing Finance Authority, Series 2000 B-2, AMT, 7.250% 10/01/31	80,000	83,554
OK Housing Finance Agency, Series 2000 C-2, AMT, 7.550% 09/01/28	315,000	317,653

	Single-Family Total	2,149,321

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	HOUSING TOTAL 3,365,940

INDUSTRIALS - 3.2%	
OIL & GAS - 3.2%	
NV Clark County Industrial Development Authority, Southwest Gas Corp., Series 2005 A, AMT, Insured: AMBAC 4.850% 10/01/35	2,000,000 1,975,320

	Oil & Gas Total 1,975,320

	INDUSTRIALS TOTAL 1,975,320

See Accompanying Notes to Financial Statements.

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[GRAPHIC]

INVESTMENT PORTFOLIO (CONTINUED)

November 30, 2005

MUNICIPAL BONDS (CONTINUED)	PAR (\$)	VALUE (\$)

OTHER - 8.9%		
OTHER - 3.6%		
AL Incentives Financing Authority, Series 1999 A, Insured: AMBAC 6.000% 10/01/29	2,000,000	2,197,740

	Other Total	2,197,740

POOL/BOND BANK - 1.7%		
UT Water Finance Agency, Series 2002 B, Insured: AMBAC 5.125% 07/01/23	1,000,000	1,058,450

	Pool/Bond Bank Total	1,058,450

REFUNDED/ESCROWED (A) - 3.6%		
SC Lugoff-Elgin Water Authority, Series 1999, Pre-refunded 11/01/09, Insured: MBIA		

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6.050% 11/01/31	1,500,000	1,653,165
WV Hospital Finance Authority, Charleston Area Medical Center, Series 2000 A, Pre-refunded 09/01/10		
6.750% 09/01/30	500,000	571,715

Refunded/Escrowed Total		2,224,880

OTHER TOTAL		5,481,070

RESOURCE RECOVERY - 1.3%		
DISPOSAL - 1.3%		
CA Salinas Valley Solid Waste Authority, Series 2002, AMT, Insured: AMBAC		
5.125% 08/01/22	750,000	772,740

Disposal Total		772,740

RESOURCE RECOVERY TOTAL		772,740

TAX-BACKED - 56.8%		
LOCAL APPROPRIATED - 4.2%		
IL Chicago Park District, Series 2004 A, Insured: AMBAC		
5.000% 01/01/25	1,000,000	1,038,130
IN Carmel Industrial School Building Corp., First Mortgage, Series 2003, Insured: MBIA		
5.000% 07/15/22	1,000,000	1,046,080
OK Grady County Correctional Facilities, Series 1999, Insured: MBIA		
6.000% 11/01/29	500,000	513,400

Local Appropriated Total		2,597,610

PAR (\$) VALUE (\$)

LOCAL GENERAL OBLIGATIONS - 14.5%		
CA Centinela Valley Union High School District, Series 2002 A, Insured: MBIA		
5.250% 02/01/22	730,000	811,979
CA Empire Unified School District No. 1987-1-A, Series 2002, Insured: AMBAC		
(b) 10/01/18	1,665,000	931,052
CA Morgan Hill Unified School District, Series 2002, Insured: FGIC		
(b) 08/01/21	1,000,000	480,690

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CA Union Elementary School District, Series 1999 A, Insured: FGIC (b) 09/01/16	1,400,000	870,058
CA Vallejo City Unified School District, Series 2002 A, Insured: MBIA 5.900% 02/01/21	500,000	591,515
IL Chicago, Series 2005 A, Insured: FSA 5.000% 01/01/26	1,000,000	1,036,910
IL Coles & Cumberland Counties Unified School District, Series 2000, Insured: FSA (b) 12/01/14	2,080,000	1,408,555
MI Detroit City School District, Series 2005 A, Insured: FSA 5.250% 05/01/30	1,500,000	1,663,230
OR Clackamas County School District Number 007J, Lake Oswego, Series 2005, Insured: FSA 5.250% 06/01/25	1,000,000	1,120,330

	Local General Obligations Total	8,914,319

SPECIAL NON-PROPERTY TAX - 22.6%		
LA Ernest N. Moria Exhibition Hall Authority, Special Tax, Series 2004, Insured: AMBAC 5.000% 07/15/23	2,000,000	2,045,920
MI Trunk Line Department of Treasury, Series 2004, Insured: FSA 5.250% 11/01/21	1,000,000	1,114,790
NJ Economic Development Authority, Motor Vehicle Revenue, Series 2004 A, Insured: MBIA 5.250% 07/01/26 (c)	2,000,000	2,234,360

See Accompanying Notes to Financial Statements.

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[GRAPHIC]

INVESTMENT PORTFOLIO (CONTINUED)

November 30, 2005

MUNICIPAL BONDS (CONTINUED)

PAR (\$) VALUE (\$)

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TAX-BACKED (CONTINUED)		
SPECIAL NON-PROPERTY TAX (CONTINUED)		
NM County of Bernalillo, Gross		
Receipts, Series 2005,		
Insured: AMBAC		
5.250% 10/01/26	2,000,000	2,230,220
NY Urban Development Corp., State		
Personal Income Tax,		
Series 2004 A-2,		
Insured: MBIA		
5.500% 03/15/22	1,000,000	1,140,730
PR Commonwealth of Puerto Rico		
Highway & Transportation		
Authority, Series 2002 E,		
Insured: FSA		
5.500% 07/01/21	1,000,000	1,140,140
5.500% 07/01/23	1,000,000	1,142,960
Series 2005 L,		
Insured: MBIA		
5.250% 07/01/35	1,000,000	1,118,420
PR Commonwealth of Puerto Rico		
Infrastructure Financing Authority,		
Series 2005 C,		
Insured: AMBAC		
5.500% 07/01/23	1,500,000	1,714,440

Special Non-Property Tax Total		13,881,980

SPECIAL PROPERTY TAX - 3.9%		
CA Huntington Park Public Financing		
Authority Revenue, Series 2004,		
Insured: FSA		
5.250% 09/01/19	1,190,000	1,305,478
CA Pittsburg Redevelopment Agency,		
Los Medanos Project, Series 1999,		
Insured: AMBAC		
(b) 08/01/26	2,500,000	909,925
FL Lexington Oaks Community		
Development District,		
Series 2000 A,		
7.200% 05/01/30	185,000	192,233

Special Property Tax Total		2,407,636

STATE APPROPRIATED - 6.9%		
KY Asset Liability Commission,		
Series 2005,		
Insured: MBIA		
5.000% 05/01/25	1,000,000	1,041,130
NJ Economic Development Authority,		
Revenue Refunding School Facilities		
Construction, Series 2005 N-1,		
Insured: FGIC		
5.500% 09/01/27	1,000,000	1,154,460
OK Capital Improvement Authority,		
Higher Education Projects,		
Series 2005 F,		
Insured: AMBAC		
5.000% 07/01/30	1,000,000	1,038,550

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	PAR (\$)	VALUE (\$)

PA Commonwealth Financing		
Authority Revenue, Series 2005 A,		
Insured: MBIA		
5.000% 06/01/25	1,000,000	1,047,770

State Appropriated Total		4,281,910

STATE GENERAL OBLIGATIONS - 4.7%		
CA,		
Series 2002,		
Insured: AMBAC		
6.000% 04/01/16	500,000	582,105
MA,		
Series 2004 C,		
Insured: AMBAC		
5.500% 12/01/24	2,000,000	2,300,980

State General Obligations Total		2,883,085

TAX-BACKED TOTAL		34,966,540

TRANSPORTATION - 36.5%		
AIR TRANSPORTATION - 6.8%		
FL Miami-Dade County Industrial		
Development Authority,		
Airis Miami II, LLC,		
Series 1999 A, AMT,		
Insured: AMBAC		
6.000% 10/15/25	1,000,000	1,081,160
MA Port Authority, US Airways, Inc.,		
Series 1999, AMT,		
Insured: MBIA		
6.000% 09/01/21	2,500,000	2,605,450
MN Minneapolis & St. Paul		
Metropolitan Airports Commission,		
Northwest Airlines, Inc.,		
Series 2001 A, AMT,		
7.000% 04/01/25(d)	250,000	156,978
NC Charlotte/Douglas International		
Airport, US Airways, Inc.:		
Series 1998, AMT,		
5.600% 07/01/27	200,000	133,426
Series 2000, AMT,		
7.750% 02/01/28	250,000	219,437

Air Transportation Total		4,196,451

AIRPORTS - 12.2%		
DC Metropolitan Washington		
Airports Authority,		
Series 2003 A, AMT,		
Insured: FGIC		
5.500% 10/01/19	1,000,000	1,070,810
IN Indianapolis Local Public		

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Improvement Bond Bank,
 Airport Authority Project,
 Series 2005 B, AMT,
 Insured: MBIA
 5.250% 01/01/29 1,000,000 1,037,220

See Accompanying Notes to Financial Statements.

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[GRAPHIC]

INVESTMENT PORTFOLIO (CONTINUED)

November 30, 2005

MUNICIPAL BONDS (CONTINUED)	PAR (\$)	VALUE (\$)

TRANSPORTATION (CONTINUED)		
AIRPORTS (CONTINUED)		
MO St. Louis Airport Revenue, Lambert-St. Louis International Airport, Series 2005, Insured: MBIA 5.500% 07/01/27	1,000,000	1,138,640
NY Niagara Frontier Transportation Authority, Series 1999 A, AMT, Insured: MBIA 5.625% 04/01/29	1,000,000	1,057,050
TN Memphis-Shelby County Airport Authority, Series 1999 D, AMT, Insured: AMBAC 6.000% 03/01/24	3,000,000	3,225,930

	Airports Total	7,529,650

PORTS - 4.8%		
TX Harris County Port of Houston Authority, Series 2005 B, Insured: MBIA 4.125% 10/01/23	2,000,000	1,875,860
WA Seattle Special Port Authority, Terminal 18, Series 1999 A, Insured: MBIA 6.000% 09/01/29	1,000,000	1,091,910

	Ports Total	2,967,770

TOLL FACILITIES - 8.0%		
CO Northwest Parkway Public Highway Authority, Series 2001 D, 7.125% 06/15/41	200,000	213,614

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NY Thruway Authority, Second General Highway & Bridge Trust Fund: Series 2005 A, Insured: MBIA 5.000% 04/01/24	1,000,000	1,048,600
Series 2005 B, Insured: AMBAC 5.500% 04/01/20	1,000,000	1,142,380
NY Triborough Bridge & Tunnel Authority, Series 2002, Insured: MBIA 5.500% 11/15/20	1,200,000	1,371,948
PA Turnpike Commission Registration Fee Revenue, Series 2005 A, Insured: FSA 5.250% 07/15/25	1,000,000	1,119,340

	Toll Facilities Total	4,895,882

TRANSPORTATION - 4.7%		
IN Transportation Finance Authority Highway Revenue, Series 2004 A, Insured: FGIC 5.250% 06/01/20	1,000,000	1,074,430

PAR (\$) VALUE (\$)

NV Department of Business & Industry, Las Vegas Monorail Project, Series 2000, 7.375% 01/01/40	250,000	259,175
NY Metropolitan Transportation Authority, Series 2002 A, Insured: FSA 5.000% 11/15/30	1,500,000	1,541,640

	Transportation Total	2,875,245

	TRANSPORTATION TOTAL	22,464,998

UTILITIES - 28.7%

INDEPENDENT POWER PRODUCERS - 1.3%

MI Midland County Economic Development Corp., Series 2000 A, AMT, 6.875% 07/23/09	500,000	495,705
PR Commonwealth of Puerto Rico Industrial, Tourist, Educational, Medical & Environmental Cogeneration Facilities, AES Project, Series 2000, AMT, 6.625% 06/01/26	295,000	316,969

	Independent Power Producers Total	812,674

INVESTOR OWNED - 11.7%

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CA Pollution Control Financing Authority, San Diego Gas & Electric Co., Series 1991 A, AMT, 6.800% 06/01/15	500,000	586,940
CO Adams County Pollution Control Revenue, Public Service Co., Colorado Project, Series 2005 A, Insured: MBIA 4.375% 09/01/17	1,000,000	1,005,470
HI Department of Budget & Finance, Hawaiian Electric Co., Series 1999 C, AMT, Insured: AMBAC 6.200% 11/01/29	2,000,000	2,178,240
KY Boone County Pollution Control Revenue, Collateral Dayton Power & Light Co., Series 2005 A, Insured: FGIC 4.700% 01/01/28	1,000,000	991,550
TX Brazos River Authority, Houston Industries, Inc., Series 1998 A, Insured: AMBAC 5.125% 05/01/19	2,100,000	2,198,679
TXU Energy Co., LLC, Series 2003 C, AMT 6.750% 10/01/38	215,000	237,717

	Investor Owned Total	7,198,596

See Accompanying Notes to Financial Statements.

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[GRAPHIC]

INVESTMENT PORTFOLIO (CONTINUED)

November 30, 2005

MUNICIPAL BONDS (CONTINUED)	PAR (\$)	VALUE (\$)

UTILITIES (CONTINUED)		
MUNICIPAL ELECTRIC - 4.4%		
CA Department of Water Resources, Series 2002 A, Insured: AMBAC 5.500% 05/01/14	1,000,000	1,106,070
TX Lower Colorado River Authority, Series 1999 A, Insured: AMBAC 5.500% 05/15/21	1,500,000	1,598,565

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Municipal Electric Total	2,704,635

WATER & SEWER - 11.3%	
AZ Water System Revenue, Phoenix	
Civic Improvement Corp.,	
Series 2001,	
Insured: FGIC	
5.500% 07/01/21	1,000,000 1,140,140
FL Tallahassee Consolidated Utilities	
System, Series 2001,	
Insured: FGIC	
5.500% 10/01/19	1,360,000 1,547,095
TX Corpus Christi Utility System	
Revenue, Series 2005 A,	
Insured: AMBAC	
5.000% 07/15/22	2,000,000 2,093,240
TX Houston Utility System Revenue,	
Series 2004 A,	
Insured: FSA	
5.250% 05/15/20	2,000,000 2,143,760

Water & Sewer Total	6,924,235

UTILITIES TOTAL	17,640,140

TOTAL MUNICIPAL BONDS	
(cost of \$92,417,379)	96,188,882

MUNICIPAL PREFERRED	
STOCKS - 0.9%	SHARES

HOUSING - 0.9%	
MULTI-FAMILY - 0.9%	
Charter Mac Equity Issue Trust,	
7.100% 06/30/09 (e)	500,000 540,980

Multi-Family Total	540,980

HOUSING TOTAL	540,980

TOTAL MUNICIPAL PREFERRED STOCKS	
(cost of \$500,000)	540,980

INVESTMENT COMPANY - 0.0%	

Dreyfus Tax-Exempt Cash	
Management Fund	95 95

TOTAL INVESTMENT COMPANY	
(cost of \$95)	95

SHORT-TERM OBLIGATIONS - 1.9%	
	PAR (\$) VALUE (\$)

VARIABLE RATE DEMAND NOTES (F) - 1.9%	
FL Collier County Health Facilities	

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Authority, Cleveland Clinic Health System, Series 2003 C-1, LOC: JPMorgan Chase Bank 2.980% 01/01/35	100,000	100,000
IA Finance Authority, Private College, Drake University, Series 2001, LOC: Firststar Bank 3.080% 07/01/31	300,000	300,000
IL Health Facilities Authority, OSF Healthcare Systems, Series 2002, LOC: Fifth Third Bank 3.000% 11/15/27	100,000	100,000
IN Health Facility Financing Authority, Fayette Memorial Hospital Association, Inc., Series 2002 A, LOC: U.S. Bank N.A. 3.080% 10/01/32	100,000	100,000
KY Shelby County Lease Revenue, Series 2004 A, LOC: U.S. Bank N.A. 3.000% 09/01/34	100,000	100,000
MO Chesterfield Industrial Development Authority, Educational Facilities, Gateway Academy Inc., Series 2003, LOC: U.S. Bank N.A. 3.080% 01/01/28	100,000	100,000
MS Jackson County Pollution Control Revenue, Chevron Corp., Series 1992, 3.000% 12/01/16	300,000	300,000
TX Harris County Health Facilities Development Corp., YMCA-Greater Houston Area, Series 2002, LOC: JPMorgan Chase Bank 3.000% 07/01/37	100,000	100,000

VARIABLE RATE DEMAND NOTES TOTAL		1,200,000

TOTAL SHORT-TERM OBLIGATIONS (cost of \$1,200,000)		1,200,000

TOTAL INVESTMENTS - 159.2% (cost of \$94,117,474) (g)		97,929,957
AUCTION PREFERRED SHARES PLUS CUMULATIVE UNPAID DISTRIBUTIONS - (60.7)%		(37,317,968)
OTHER ASSETS & LIABILITIES, NET - 1.5%		905,809

NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS - 100.0%		61,517,798

See Accompanying Notes to Financial Statements.

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[GRAPHIC]

INVESTMENT PORTFOLIO (CONTINUED)

November 30, 2005

NOTES TO INVESTMENT PORTFOLIO:

-
- (a) The Fund has been informed that each issuer has placed direct obligations of the U.S. Government in an irrevocable trust, solely for the payment of principal and interest.
 - (b) Zero coupon bond.
 - (c) Security pledged as collateral for open futures contracts.
 - (d) The issuer has filed for bankruptcy protection under Chapter 11. Income is being accrued. At November 30, 2005, the value of this security represents 0.3% of net assets.
 - (e) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions exempt from registration, normally to qualified institutional buyers. At November 30, 2005, the value of this security, which is not illiquid, represents 0.9% of net assets.
 - (f) Variable rate demand notes. These securities are payable upon demand and are secured by letters of credit or other credit support agreements from banks. The interest rates change periodically and the interest rates shown reflect the rates at November 30, 2005.
 - (g) Cost for federal income tax purposes is \$94,057,804.

Acronym Name

ACA	ACA Financial Guaranty Corp.
AMBAC	Ambac Assurance Corp.
AMT	Alternative Minimum Tax
FGIC	Financial Guaranty Insurance Co.
FHA	Federal Housing Administration
FSA	Financial Security Assurance, Inc.
GNMA	Government National Mortgage Association
LOC	Letter of Credit
MBIA	MBIA Insurance Corp.
RAD	Radian Asset Assurance, Inc.

At November 30, 2005, the Fund held the following open short futures contracts:

Type	Number of Contracts	Value	Aggregate Face Value	Expiration Date	Unrealized Depreciation

10- Year U.S Treasury Note	76	\$8,248,374	\$8,244,394	Mar-06	\$(3,980)

At November 30, 2005, the composition of the Fund by revenue source is as

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follows:

HOLDINGS BY REVENUE SOURCE (UNAUDITED)	% OF NET ASSETS
Tax-Backed	56.8%
Transportation	36.5
Utilities	28.7
Health Care	9.6
Other	8.9
Housing	6.4
Education	5.9
Industrials	3.2
Resource Recovery	1.3
Investment Company	0.0*
Short-Term Obligations	1.9
Auction Preferred Shares	(60.7)
Other Assets & Liabilities, Net	1.5

	100.0%

* Rounds to less than 0.1%.

See Accompanying Notes to Financial Statements.

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[GRAPHIC]

STATEMENT OF ASSETS AND LIABILITIES

November 30, 2005

ASSETS:	
Investments, at cost	\$94,117,474

Investments, at value	\$97,929,957
Cash	58,425
Receivable for:	
Interest	1,181,275
Futures variation margin	11,039
Expense reimbursement due from	
Investment Advisor	16,133
Deferred Trustees' compensation plan	7,864

Total Assets	99,204,693

LIABILITIES:
Payable for:

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Distributions -- common shares	284,941
Distributions -- preferred shares	17,968
Investment advisory fee	31,877
Pricing and bookkeeping fees	10,261
Trustees' fees	2,267
Transfer agent fee	104
Audit fee	24,285
Chief compliance officer expenses	940
Preferred shares remarketing commissions	1,535
Deferred Trustees' fees	7,864
Other liabilities	4,853

Total Liabilities	386,895

AUCTION PREFERRED SHARES (1,492 shares issued and outstanding at \$25,000 per share)	37,300,000

COMPOSITION OF NET ASSETS	
APPLICABLE TO COMMON SHARES:	
Paid-in capital -- common shares	\$60,281,129
Undistributed net investment income	20,706
Accumulated net realized loss	(2,592,540)
Net unrealized appreciation (depreciation) on:	
Investments	3,812,483
Futures contracts	(3,980)

Net assets at value applicable to 4,252,855 common shares of beneficial interest outstanding	\$61,517,798

Net asset value per common share	\$ 14.47

[GRAPHIC]

STATEMENT OF OPERATIONS

For the Year Ended November 30, 2005

INVESTMENT INCOME:	
Interest	\$ 5,033,622
Dividends	86

Total Investment Income	5,033,708

EXPENSES:	
Investment advisory fee	650,664
Transfer agent fee	31,317
Pricing and bookkeeping fees	65,605
Trustees' fees	11,361
Preferred shares remarketing commissions	93,357
Custody fee	8,573
Chief compliance officer expenses	4,316
Other expenses	87,168

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Total Expenses	952,361
Fees and expenses waived or reimbursed by	
Investment Advisor	(350,173)
Custody earnings credit	(1,190)
Net Expenses	600,998
Net Investment Income	4,432,710
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FUTURES CONTRACTS:	
Net realized gain (loss) on:	
Investments	2,887,089
Futures contracts	(63,994)
Net realized gain	2,823,095
Net change in unrealized appreciation (depreciation) on:	
Investments	(3,177,469)
Futures contracts	20,636
Net change in unrealized appreciation (depreciation)	(3,156,833)
Net Loss	(333,738)
Net Increase in Net Assets from Operations	4,098,972
LESS DISTRIBUTIONS DECLARED TO PREFERRED SHAREHOLDERS:	
From net investment income	(785,610)
Net Increase in Net Assets from Operations Applicable to Common Shares	\$ 3,313,362

See Accompanying Notes to Financial Statements.

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[GRAPHIC]

STATEMENT OF CHANGES IN NET ASSETS

	YEAR ENDED NOVEMBER 30,	
	2005	2004
INCREASE (DECREASE) IN NET ASSETS:		

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OPERATIONS:		
Net investment income	\$ 4,432,710	\$ 4,671,945
Net realized gain on investments and futures contracts	2,823,095	1,761,083
Net change in unrealized appreciation (depreciation) on investments and futures contracts	(3,156,833)	(3,052,478)
	-----	-----
Net Increase from Operations	4,098,972	3,380,550
	-----	-----
LESS DISTRIBUTIONS DECLARED TO PREFERRED SHAREHOLDERS:		
From net investment income	(785,610)	(373,702)
	-----	-----
Net Increase in Net Assets from Operations Applicable to Common Shares	3,313,362	3,006,848
	-----	-----
LESS DISTRIBUTIONS DECLARED TO COMMON SHAREHOLDERS:		
From net investment income	(3,659,585)	(4,341,908)
	-----	-----
SHARE TRANSACTIONS:		
Distributions reinvested -- common shares	--	78,729
	-----	-----
Total Decrease in Net Assets Applicable to Common Shares	(346,223)	(1,256,331)
NET ASSETS APPLICABLE TO COMMON SHARES:		
Beginning of period	61,864,021	63,120,352
	-----	-----
End of period (including undistributed net investment income of \$20,706 and \$59,748, respectively)	\$61,517,798	\$61,864,021
	-----	-----

	YEAR ENDED NOVEMBER 30,	
NUMBER OF FUND SHARES:	2005	2004
	-----	-----
Common Shares:		
Issued for distributions reinvested	--	5,375
Outstanding at:		
Beginning of period	4,252,855	4,247,480
	-----	-----
End of period	4,252,855	4,252,855
	-----	-----
Preferred Shares:		
Outstanding at end of period	1,492	1,492
	-----	-----

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See Accompanying Notes to Financial Statements.

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[GRAPHIC]

NOTES TO FINANCIAL STATEMENTS

November 30, 2005

NOTE 1. ORGANIZATION

Colonial Insured Municipal Fund (the "Fund") is a Massachusetts business trust registered under the Investment Company Act of 1940 (the "Act"), as amended, as a non-diversified, closed-end management investment company.

INVESTMENT GOAL

The Fund seeks to provide current income generally exempt from ordinary federal income tax.

FUND SHARES

The Fund may issue an unlimited number of common shares. On December 20, 1999, the Fund issued 1,492 Auction Preferred Shares ("APS").

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

SECURITY VALUATION

Debt securities generally are valued by pricing services approved by the Fund's Board of Trustees, based upon market transactions for normal, institutional-size trading units of similar securities. The services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes. Debt securities for which quotations are readily available are valued at an over-the-counter or exchange bid quotation. Certain debt securities, which tend to be more thinly traded and of lesser quality, are priced based on fundamental analysis of the financial condition of the issuer and the estimated value of any collateral. Valuations developed through pricing techniques may vary from the actual amounts realized upon sale of the securities, and the potential variation may be greater for those securities valued using fundamental analysis.

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Short-term debt obligations maturing within 60 days are valued at amortized cost, which approximates market value.

Investments in open-end investment companies are valued at net asset value.

Futures contracts are valued at the settlement price established each day by the board of trade or exchange on which they are traded.

Investments for which market quotations are not readily available, or have quotations which management believes are not appropriate, are valued at fair value as determined in good faith under consistently applied procedures established by and under the general supervision of the Board of Trustees. If a security is valued at a "fair value", such value is likely to be different from the last quoted market price for the security.

SECURITY TRANSACTIONS

Security transactions are accounted for on the trade date. Cost is determined and gains (losses) are based upon the specific identification method for both financial statement and federal income tax purposes.

FUTURES CONTRACTS

The Fund may invest in municipal and U.S. Treasury futures contracts. The Fund will invest in these instruments to hedge against the effects of changes in the value of portfolio securities due to anticipated changes in interest rates and/or market conditions, for duration management, or when the transactions are economically appropriate to the reduction of risk inherent in the management of the Fund and not for trading purposes. The use of futures contracts involves certain risks, which include: (1) imperfect correlation between the price movement of the instruments and the underlying securities, (2) inability to close out positions due to differing trading hours, or the temporary absence of a liquid market, for either the instrument or the underlying securities, or (3) an inaccurate prediction by Columbia Management Advisors, LLC of the future direction of interest rates. Any of these risks may involve amounts exceeding the variation margin recorded in the Fund's Statement of Assets and Liabilities at any given time.

Upon entering into a futures contract, the Fund deposits cash or securities with the broker in an amount sufficient to meet the initial margin requirement. Subsequent payments are made or received by the Fund equal to the daily change in the contract value and are recorded as variation margin receivable or payable and offset in unrealized gains or losses. The Fund also identifies portfolio securities as segregated with the custodian in a separate account in an amount equal to the futures contract. The Fund recognizes a realized gain or loss when the contract is closed or expires.

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[GRAPHIC]

NOTES TO FINANCIAL STATEMENTS (continued)

November 30, 2005

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INCOME RECOGNITION

Interest income is recorded on the accrual basis. Original issue discount is accreted to interest income over the life of the security with a corresponding increase in the cost basis. Premium and discount are amortized and accreted, respectively, on all debt securities. Dividend income is recorded on the ex-date.

FEDERAL INCOME TAX STATUS

The Fund intends to qualify each year as a "regulated investment company" under Subchapter M of the Internal Revenue Code, as amended, and will distribute substantially all of its taxable or tax-exempt income, if any, for its tax year, and as such will not be subject to federal income taxes. In addition, the Fund intends to distribute in each calendar year substantially all of its net investment income, capital gains and certain other amounts, if any, such that the Fund should not be subject to federal excise tax. Therefore, no federal income or excise tax provision is recorded.

DISTRIBUTIONS TO SHAREHOLDERS

Distributions to common shareholders are recorded on the ex-date. Distributions to Auction Preferred shareholders are recorded daily and payable at the end of each dividend period. Each dividend payment period for the APS is generally seven days. The applicable dividend rate for the APS on November 30, 2005, was 2.91%. For the year ended November 30, 2005, the Fund declared dividends to Auction Preferred shareholders amounting to \$785,610, representing an average dividend rate of 2.11% per APS.

NOTE 3. FEDERAL TAX INFORMATION

The timing and character of income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP. Reclassifications are made to the Fund's capital accounts for permanent tax differences to reflect income and gains available for distribution (or available capital loss carryforwards) under income tax regulations.

For the year ended November 30, 2005, permanent book and tax basis differences resulting primarily from differing treatments for discount accretion/premium amortization on debt securities were identified and reclassified among the components of the Fund's net assets as follows:

UNDISTRIBUTED	ACCUMULATED	PAID-IN CAPITAL
NET INVESTMENT INCOME	NET REALIZED LOSS	
\$(26,557).....	\$26,557	\$--

Net investment income and net realized gains, as disclosed on the Statement of Operations, and net assets were not affected by this reclassification.

The tax character of distributions paid during the years ended November 30, 2005 and November 30, 2004 was as follows:

NOVEMBER 30, 2005	NOVEMBER 30, 2004

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Distributions paid from:		
Tax-Exempt Income	\$4,445,195	\$4,691,126
Ordinary Income	--	24,484
Long-Term Capital Gains	--	--

As of November 30, 2005, the components of distributable earnings on a tax basis were as follows:

UNDISTRIBUTED TAX-EXEMPT INCOME	UNDISTRIBUTED ORDINARY INCOME	UNDISTRIBUTED LONG-TERM CAPITAL GAINS	NET UNREALIZED APPRECIATION*
-----	-----	-----	-----
\$272,068	\$--	\$--	\$3,872,153

* The differences between book-basis and tax-basis net unrealized appreciation are primarily due to discount accretion/premium amortization on debt securities.

Unrealized appreciation and depreciation at November 30, 2005, based on cost of investments for federal income tax purposes, was:

Unrealized appreciation	\$4,539,550
Unrealized depreciation	(667,397)

Net unrealized appreciation	\$3,872,153

The following capital loss carryforwards, determined as of November 30, 2005, may be available to reduce taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Internal Revenue Code:

YEAR OF EXPIRATION	CAPITAL LOSS CARRYFORWARD
-----	-----
2011....	\$1,049,996

Capital loss carryforwards of \$1,793,902 were utilized during the year ended November 30, 2005 for the Fund.

NOTE 4. FEES AND COMPENSATION PAID TO AFFILIATES

INVESTMENT ADVISORY FEE

Columbia Management Advisors, LLC ("Columbia"), an indirect wholly owned subsidiary of Bank of America Corporation ("BOA"), is the investment advisor to the Fund and provides administrative and other services to the Fund. Prior to September 30, 2005, Columbia Management Advisors, Inc. was the investment

advisor to

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[GRAPHIC]

NOTES TO FINANCIAL STATEMENTS (continued)

November 30, 2005

the Fund under the same fee structure. On September 30, 2005, Columbia Management Advisors, Inc. merged into Banc of America Capital Management, LLC. At that time, the investment advisor was then renamed Columbia Management Advisors, LLC. Columbia receives a monthly investment advisory fee at the annual rate of 0.65% of the Fund's average weekly net assets, including assets applicable to the APS.

Columbia has contractually agreed to waive a portion of investment advisory fee for the years ending November 30, 2006, 2007, 2008 and 2009 so that the Fund's investment advisory fee will not exceed the annual rates of 0.45%, 0.50%, 0.55% and 0.60%, respectively.

For the year ended November 30, 2005, the Fund's effective investment advisory fee rate was 0.40%.

PRICING AND BOOKKEEPING FEES

Columbia is responsible for providing pricing and bookkeeping services to the Fund under a pricing and bookkeeping agreement. Under a separate agreement (the "Outsourcing Agreement"), Columbia has delegated those functions to State Street Corporation ("State Street"). As a result, the total fees payable under the pricing and bookkeeping agreement are paid to State Street.

Under its pricing and bookkeeping agreement with the Fund, Columbia receives an annual fee of \$38,000 paid monthly plus an additional monthly fee based on the level of average weekly net assets for the month; provided that during any 12-month period, the aggregate fee shall not exceed \$140,000.

Prior to November 1, 2005, Columbia received from the Fund an annual fee of \$10,000 paid monthly, and in any month that the Fund's average weekly net assets exceeded \$50 million, an additional monthly fee, calculated by taking into account the fees payable to State Street under the Outsourcing Agreement.

The Fund also reimburses Columbia and State Street for out-of-pocket expenses and charges, including fees payable to third parties for pricing the Fund's portfolio securities and direct internal costs incurred by Columbia in connection with providing Fund accounting oversight and monitoring and certain other services. For the year ended November 30, 2005, the Fund's effective pricing and bookkeeping rate, inclusive of out-of-pocket expenses, was 0.066%.

FEE WAIVERS

Columbia has voluntarily agreed to reimburse the Fund for certain expenses so that total expenses (exclusive of investment advisory fees, brokerage commissions, interest, taxes and extraordinary expenses, if any) will not exceed 0.20% annually of the Fund's average weekly net assets, including assets

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applicable to APS. Columbia, at its discretion, may revise or discontinue this arrangement any time.

CUSTODY CREDITS

The Fund has an agreement with its custodian bank under which custody fees may be reduced by balance credits. These credits are recorded as a reduction of total expenses on the Statement of Operations. The Fund could have invested a portion of the assets utilized in connection with the expense offset arrangement in an income-producing asset if it had not entered into such an agreement.

FEES PAID TO OFFICERS AND TRUSTEES

All officers of the Fund, with the exception of the Fund's Chief Compliance Officer, are employees of Columbia or its affiliates and receive no compensation from the Fund. The Board of Trustees has appointed a Chief Compliance Officer to the Fund in accordance with federal securities regulations. The Fund, along with other affiliated funds, pays its pro-rata share of the expenses associated with the Chief Compliance Officer. The Fund's expenses for the Chief Compliance Officer will not exceed \$15,000 per year.

The Fund's Trustees may participate in a deferred compensation plan which may be terminated at any time. Obligations of the plan will be paid solely out of the Fund's assets.

OTHER

Columbia provides certain services to the Fund related to Sarbanes-Oxley compliance. For the year ended November 30, 2005, the Fund paid \$1,562 to Columbia for such services. This amount is included in "Other expenses" on the Statement of Operations.

NOTE 5. PORTFOLIO INFORMATION

For the year ended November 30, 2005, the cost of purchases and proceeds from sales of securities, excluding short-term obligations, were \$31,166,781 and \$31,891,669, respectively.

NOTE 6. PREFERRED SHARES

The Fund currently has outstanding 1,492 APS. The APS are redeemable at the option of the Fund on any dividend payment date at the redemption price of \$25,000 per share, plus an amount equal to any dividends accumulated on a daily basis unpaid through the redemption date (whether or not such dividends have been declared).

Under the Act, the Fund is required to maintain asset coverage of at least 200% with respect to the APS as of the last business day of each month in which any APS are

[GRAPHIC]

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November 30, 2005

outstanding. Additionally, the Fund is required to meet more stringent asset coverage requirements under the terms of the APS Agreement and in accordance with the guidelines prescribed by the APS' rating agencies. Should these requirements not be met, or should dividends accrued on the APS not be paid, the Fund may be restricted in its ability to declare dividends to common shareholders or may be required to redeem certain APS. At November 30, 2005, there were no such restrictions on the Fund.

NOTE 7. DISCLOSURE OF SIGNIFICANT RISKS AND CONTINGENCIES

CONCENTRATION OF CREDIT RISK

The Fund holds investments that are insured by private insurers who guarantee the payment of principal and interest in the event of default or that are supported by a letter of credit. Each of the Fund's insurers is rated Aaa by Moody's Investor Services, Inc., except for Radian Asset Assurance, Inc., which is rated Aa3. At November 30, 2005, private insurers who insure greater than 5% of the total investments of the Fund were as follows:

INSURER	% OF TOTAL INVESTMENTS (UNAUDITED)
AMBAC Assurance Corp.	34.1%
MBIA Insurance Corp.	26.8
Financial Security Assurance, Inc.	15.0
Financial Guaranty Insurance Co.	8.5

GEOGRAPHIC CONCENTRATION

The Fund has greater than 5% of its total investments at November 30, 2005 invested in debt obligations issued by the states of California, Massachusetts, New York, Texas and the Commonwealth of Puerto Rico and their respective political subdivisions, agencies and public authorities. The Fund is more susceptible to economic and political factors adversely affecting issuers of the specific state's municipal securities than are municipal bond funds that are not concentrated to the same extent in these issuers.

HIGH-YIELD SECURITIES

Investing in high-yield securities may involve greater credit risk and considerations not typically associated with investing in U.S. government bonds and other higher quality fixed income securities. These securities are non-investment grade securities, often referred to as "junk" bonds. Economic downturns may disrupt the high yield market and impair the ability of issuers to repay principal and interest. Also, an increase in interest rates would likely have an adverse impact on the value of such obligations. Moreover, high-yield securities may be less liquid to the extent that there is no established secondary market.

ISSUER FOCUS

As a non-diversified fund, the Fund may invest a greater percentage of its total assets in the securities of fewer issuers than a diversified fund. The Fund may, therefore, have a greater risk of loss from a few issuers than a

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similar fund that invests more broadly.

LEGAL PROCEEDINGS

On February 9, 2005, Columbia Management Advisors, Inc. (which has since merged into Banc of America Capital Management, LLC (now named Columbia Management Advisors, LLC)) ("Columbia") and Columbia Funds Distributor, Inc. (which has been renamed Columbia Management Distributors, Inc.) (the "Distributor") (collectively, the "Columbia Group") entered into an Assurance of Discontinuance with the New York Attorney General ("NYAG") (the "NYAG Settlement") and consented to the entry of a cease-and-desist order by the Securities and Exchange Commission ("SEC") (the "SEC Order"). The SEC Order and the NYAG Settlement are referred to collectively as the "Settlements". The Settlements contain substantially the same terms and conditions as outlined in the agreements in principle which Columbia Group entered into with the SEC and NYAG in March 2004.

Under the terms of the SEC Order, the Columbia Group has agreed among other things, to: pay \$70 million in disgorgement and \$70 million in civil money penalties; cease and desist from violations of the antifraud provisions and certain other provisions of the federal securities laws; maintain certain compliance and ethics oversight structures; retain an independent consultant to review the Columbia Group's applicable supervisory, compliance, control and other policies and procedures; and retain an independent distribution consultant (see below). The Columbia Funds have also voluntarily undertaken to implement certain governance measures designed to maintain the independence of their boards of trustees. The NYAG Settlement also, among other things, requires Columbia and its affiliates to reduce certain Columbia Funds (including the former Nations Funds) and other mutual funds management fees collectively by \$32 million per year for five years, for a projected total of \$160 million in management fee reductions.

Pursuant to the procedures set forth in the SEC order, the \$140 million in settlement amounts described above will be distributed in accordance with a distribution plan to be developed by an independent distribution

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[GRAPHIC]

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

November 30, 2005

consultant, who is acceptable to the SEC staff and the Columbia Funds' independent trustees. The distribution plan must be based on a methodology developed in consultation with the Columbia Group and the funds' independent trustees and not unacceptable to the staff of the SEC. At this time, the distribution plan is still under development. As such, any gain to the funds or their shareholders cannot currently be determined.

As a result of these matters or any adverse publicity or other developments resulting from them, the market price of fund shares could decline.

A copy of the SEC Order is available on the SEC website at <http://www.sec.gov>. A copy of the NYAG Settlement is available as part of the Bank of America

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Corporation Form 8-K filing on February 10, 2005.

In connection with the events described in detail above, various parties have filed suit against certain funds, the Trustees of the Columbia Funds, FleetBoston Financial Corporation and its affiliated entities and/or Bank of America and its affiliated entities. More than 300 cases including those filed against entities unaffiliated with the funds, their Boards, FleetBoston Financial Corporation and its affiliated entities and/or Bank of America and its affiliated entities have been transferred to the Federal District Court in Maryland and consolidated in a multi-district proceeding (the "MDL").

The derivative cases purportedly brought on behalf of the Columbia Funds in the MDL have been consolidated under the lead case. The fund derivative plaintiffs allege that the funds were harmed by market timing and late trading activity and seek, among other things, the removal of the trustees of the Columbia Funds, removal of the Columbia Group, disgorgement of all management fees and monetary damages.

On March 21, 2005, purported class action plaintiffs filed suit in Massachusetts state court alleging that the conduct, including market timing, entitles Class B shareholders in certain Columbia Funds to an exemption from contingent deferred sales charges upon early redemption ("the CDSC Lawsuit"). The CDSC Lawsuit has been removed to federal court in Massachusetts and the federal Judicial Panel has transferred the CDSC Lawsuit to the MDL.

The MDL is ongoing. Accordingly, an estimate of the financial impact of this litigation on any fund, if any, cannot currently be made.

In 2004, certain Columbia Funds, the Trustees of the Columbia Funds, advisers and affiliated entities were named as defendants in certain purported shareholder class and derivative actions making claims, including claims under the Investment Company and the Investment Advisers Acts of 1940 and state law. The suits allege, inter alia, that the fees and expenses paid by the funds are excessive and that the advisers and their affiliates inappropriately used fund assets to distribute the funds and for other improper purposes. On March 2, 2005, the actions were consolidated in the Massachusetts federal court as In re Columbia Entities Litigation. The plaintiffs filed a consolidated amended complaint on June 9, 2005. On November 30, 2005, the judge dismissed all claims by plaintiffs and ordered that the case be closed. The plaintiffs filed a notice of appeal on December 30, 2005.

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[GRAPHIC]

FINANCIAL HIGHLIGHTS

Selected data for a share outstanding throughout each period is as follows (common shares unless otherwise noted):

	YEAR ENDED NOVEMBER 30,				
	2005	2004	2003	2002	2001

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NET ASSET VALUE, BEGINNING OF PERIOD	\$ 14.55	\$ 14.86	\$ 14.93	\$ 15.20	\$ 14.93
INCOME FROM INVESTMENT OPERATIONS:					
Net investment income	1.04 (b)	1.10 (b)	1.14 (b)	1.21 (b) (c)	1.14 (b)
Net realized and unrealized gain (loss) on investments, written options and futures contracts	(0.08)	(0.30)	(0.08)	(0.25) (c)	0.00
Total from Investment Operations	0.96	0.80	1.06	0.96	1.14
LESS DISTRIBUTIONS DECLARED TO PREFERRED SHAREHOLDERS:					
From net investment income	(0.18)	(0.09)	(0.08)	(0.12)	(0.00)
Total from Investment Operations Applicable to Common Shareholders	0.78	0.71	0.98	0.84	1.14
LESS DISTRIBUTIONS DECLARED TO COMMON SHAREHOLDERS:					
From net investment income	(0.86)	(1.02)	(1.05)	(1.11)	(0.00)
LESS SHARE TRANSACTIONS:					
Offering costs -- common shares	--	--	--	--	--
Commission and offering costs -- preferred shares	--	--	--	--	--
Total Share Transactions	--	--	--	--	--
NET ASSET VALUE, END OF PERIOD	\$ 14.47	\$ 14.55	\$ 14.86	\$ 14.93	\$ 15.09
Market price per share -- common shares	\$ 13.02	\$ 13.92	\$ 15.30	\$ 15.09	\$ 16.00
Total return -- based on market value -- common shares (f)	(0.52)%	(2.45)%	8.77%	(1.72)%	39.00%
RATIOS TO AVERAGE NET ASSETS/ SUPPLEMENTAL DATA:					
Expenses (i) (j)	0.96% (k)	0.88% (k)	0.88% (k)	0.87% (k)	0.87% (k)
Net investment income before preferred stock dividend (i) (j)	7.06%	7.48%	7.68%	8.04% (c)	8.04% (c)
Net investment income after preferred stock dividend (i) (j)	5.81%	6.88%	7.12%	7.22% (c)	6.88% (c)
Voluntary waiver/reimbursement (j)	0.16%	0.12%	0.18%	0.13%	0.13%
Portfolio turnover rate	32%	21%	4%	13%	13%
Net assets, end of period (000's) -- common shares	\$61,518	\$61,864	\$63,120	\$63,252	\$64,000

PERIOD
ENDED
NOVEMBER 30,
1999 (A)

NET ASSET VALUE, BEGINNING OF PERIOD	\$ 14.33
INCOME FROM INVESTMENT OPERATIONS:	
Net investment income	0.06
Net realized and unrealized gain (loss) on investments, written options and	

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futures contracts	(0.06)

Total from Investment Operations	--

LESS DISTRIBUTIONS DECLARED TO PREFERRED SHAREHOLDERS:	
From net investment income	--

Total from Investment Operations Applicable to Common Shareholders	--

LESS DISTRIBUTIONS DECLARED TO COMMON SHAREHOLDERS:	
From net investment income	--

LESS SHARE TRANSACTIONS:	
Offering costs -- common shares	(0.03)
Commission and offering costs -- preferred shares	--

Total Share Transactions	(0.03)

NET ASSET VALUE, END OF PERIOD	\$ 14.30

Market price per share -- common shares	\$ 15.00

Total return -- based on market value -- common shares (f)	0.00% (h)

RATIOS TO AVERAGE NET ASSETS/ SUPPLEMENTAL DATA:	
Expenses (i) (j)	0.55% (g)
Net investment income before preferred stock dividend (i) (j)	4.38% (g)
Net investment income after preferred stock dividend (i) (j)	4.38% (g)
Voluntary waiver/reimbursement (j)	0.61% (g)
Portfolio turnover rate	7% (h)
Net assets, end of period (000's) -- common shares	\$54,422

- (a) The Fund commenced investment operations on October 29, 1999. Per share data and total return reflect activity from that date.
- (b) Per share data was calculated using average shares outstanding during the period.
- (c) Effective December 1, 2001, the Fund adopted the provision of the AICPA Audit and Accounting Guide for Investment Companies and began accreting market discount on all debt securities. The effect of this change for the year ended November 30, 2002 was to increase the ratio of net investment income to average net assets from 8.02% to 8.04% and increase the ratio of net investment income (adjusted for dividend payments to preferred shareholders) from 7.20% to 7.22%. The impact to the net investment income and net realized and unrealized loss per share was less than \$0.01. Per share data and ratios for periods prior to November 30, 2002 have not been restated to reflect this change in presentation.
- (d) The per share net investment income amount does not reflect the period's reclassification of differences between book and tax basis net investment income.
- (e) Rounds to less than \$0.01 per share.
- (f) Total return at market value assuming all distributions reinvested at prices calculated in accordance with the Dividend Reinvestment Plan.

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- (g) Annualized.
- (h) Not annualized.
- (i) The benefits derived from custody credits had an impact of less than 0.01%.
- (j) Ratios reflect average net assets available to common shares only.
- (k) Ratios calculated using average net assets including auction preferred shares of the Fund equal 0.60%, 0.55%, 0.55%, 0.55%, 0.55% and 0.54% for the years ended November 30, 2005, November 30, 2004, November 30, 2003, November 30, 2002, November 30, 2001 and November 30, 2000, respectively.

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[GRAPHIC]

ASSET COVERAGE REQUIREMENTS

	TOTAL AMOUNT OUTSTANDING	ASSET COVERAGE PER SHARE*	INVOLUNTARY LIQUIDATING PREFERENCE PER SHARE	AVERAGE MARKET VALUE PER SHARE
11/30/05	\$37,300,000	\$66,232	\$25,012	\$25,000
11/30/04	37,300,000	66,464	25,006	25,000
11/30/03	37,300,000	67,306	25,002	25,000
11/30/02	37,300,000	67,396	25,012	25,000
11/30/01	37,300,000	68,090	25,001	25,000
11/30/00 **	37,300,000	66,589	25,020	25,000

*Calculated by subtracting the Fund's total liabilities from the Fund's total assets and dividing the amount by the number of APS outstanding.

**On December 20, 1999, the Fund began offering Auction Preferred Shares.

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[GRAPHIC]

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE TRUSTEES AND THE SHAREHOLDERS OF COLONIAL INSURED MUNICIPAL FUND

In our opinion, the accompanying statement of assets and liabilities, including the investment portfolio, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Colonial Insured Municipal Fund (the "Fund") at November 30, 2005, and the results of its operations, the changes in its net assets and its financial highlights for the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights

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(hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at November 30, 2005 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Boston, Massachusetts
January 24, 2006

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[GRAPHIC]

UNAUDITED INFORMATION

FEDERAL INCOME TAX INFORMATION

100.00% of the distributions from net investment income will be treated as exempt income for federal income tax purposes.

For the calendar year ended December 31, 2005, 25.00% of distributions from net investment income is subject to the alternative minimum tax.

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[GRAPHIC]

DIVIDEND REINVESTMENT PLAN

COLONIAL INSURED MUNICIPAL FUND

Pursuant to the Fund's Dividend Reinvestment Plan (the "Plan"), all Common Shareholders whose shares are registered in their own names will have all distributions reinvested automatically in additional Common Shares of the Fund by Computershare (the "Plan Agent"), as agent under the Plan, unless a Common Shareholder elects to receive cash. An election to receive cash may be revoked or reinstated at the option of the Common Shareholder. Shareholders whose shares are held in the name of a broker or nominee will have distributions reinvested automatically by the broker or nominee in additional shares under the Plan, unless the service is not provided by the broker or nominee, or

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unless the shareholder elects to receive distributions in cash. If the service is not available, such distributions will be paid in cash. Shareholders whose shares are held in the name of a broker or nominee should contact the broker or nominee for details. All distributions to investors who elect not to participate (or whose broker or nominee elects not to participate) in the Plan will be paid by check mailed directly to the record holder by the Plan Agent, as dividend paying agent.

The Plan Agent will furnish each person who buys shares in the offering with written information relating to the Plan. Included in such information will be procedures for electing to receive distributions in cash (or, in the case of shares held in the name of a broker or nominee who does not participate in the Plan, procedures for having such shares registered in the name of the shareholder so that such shareholder may participate in the Plan).

If the Trustees of the Fund declare a dividend (including a capital gain dividend) payable either in shares or in cash, as holders of shares may have elected, then nonparticipants in the Plan will receive cash and participants in the Plan will receive the equivalent in shares valued as set forth below. Whenever a market price is equal to or exceeds net asset value at the time shares are valued for the purpose of determining the number of shares equivalent to the distribution, participants will be issued shares at the net asset value most recently determined as provided under "Net Asset Value" in the Fund's prospectus and its Statement of Additional Information, but in no event less than 95% of the market price. If the net asset value of the shares at such time exceeds the market price of shares at such time, or if the Fund should declare a dividend (including a capital gain dividend) payable only in cash, the Plan Agent will, as agent for the participants, use the cash that the shareholders would have received as a dividend to buy shares in the open market, the American Stock Exchange or elsewhere, for the participants' accounts. If, before the Plan Agent has completed its purchases, the market price exceeds the net asset value of the shares, the average per share purchase price paid by the Plan Agent may exceed the net asset value of the shares, resulting in the acquisition of fewer shares than if the dividend (including a capital gain dividend) had been paid in shares issued by the Fund. The Plan Agent will apply all cash received as a dividend (including a capital gain dividend) to purchase shares on the open market as soon as practicable after the payment date of such dividend, but in no event later than 30 days after such date, except where necessary to comply with applicable provisions of the federal securities laws.

There is no charge to participants for reinvesting dividends (including capital gain dividends). The Plan Agent's fees for handling the reinvestment of dividends (including capital gain dividends) will be paid by the Fund. There will be no brokerage charges with respect to shares issued directly by the Fund as a result of dividends or capital gains distributions payable either in stock or in cash. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of dividends (including capital gain dividends).

The automatic reinvestment of dividends (including capital gain dividends) will not relieve participants of any income tax which may be payable on such dividends. The amount of the dividend for tax purposes may vary depending on whether the Fund issues new Common Shares or purchases them on the open market.

The Plan may be amended or terminated on 30 days' written notice to Plan participants. All correspondence concerning the Plan should be directed to Computershare by mail at P.O. Box 43010, Providence, RI 02940-3010, or by phone at 1-800-730-6001.

[GRAPHIC]

TRUSTEES

The Trustees/Directors serve terms of indefinite duration. The names, addresses and ages of the Trustees/Directors and officers of the Funds in the Columbia Funds Complex, the year each was first elected or appointed to office, their principal business occupations during at least the last five years, the number of portfolios overseen by each Trustee/Director and other directorships they hold are shown below. Each officer listed below serves as an officer of each Fund in the Columbia Funds Complex.

Name, address and age, Position with funds, Year first elected or appointed to office/1/	Principal occupation(s) during past five years, Nu Columbia Funds Complex overseen by trustee/directo held
Disinterested Trustees	
DOUGLAS A. HACKER (Age 50) c/o Columbia Management Advisors, LLC One Financial Center Boston, MA 02111 Trustee (since 1996)	Executive Vice President-Strategy of United Airlin December, 2002 (formerly President of UAL Loyalty September, 2001 to December, 2002; Executive Vice Financial Officer of United Airlines from July, 19 Senior Vice President-Finance from March, 1993 to 83, Nash Finch Company (food distributor)
JANET LANGFORD KELLY (Age 48) c/o Columbia Management Advisors, LLC One Financial Center Boston, MA 02111 Trustee (since 1996)	Partner, Zelle, Hofmann, Voelbel, Mason & Gette LL March, 2005; Adjunct Professor of Law, Northwester September, 2004 (formerly Chief Administrative Off President, Kmart Holding Corporation (consumer goo to March, 2004; Executive Vice President-Corporate Administration, General Counsel and Secretary, Kel manufacturer), from September, 1999 to August, 200 President, Secretary and General Counsel, Sara Lee packaged, consumer-products manufacturer) from Jan 1999). Oversees 83, None
RICHARD W. LOWRY (Age 69) c/o Columbia Management Advisors, LLC One Financial Center Boston, MA 02111 Trustee (since 1995)	Private Investor since August, 1987 (formerly Chai Officer, U.S. Plywood Corporation (building produc Oversees 89/(3)/, None
CHARLES R. NELSON (Age 62) c/o Columbia Management Advisors, LLC One Financial Center Boston, MA 02111 Trustee (since 1981)	Professor of Economics, University of Washington, Ford and Louisa Van Voorhis Professor of Political Washington, since September, 1993 (formerly Direct Economic Research, University of Washington from S 2003); Adjunct Professor of Statistics, University September, 1980; Associate Editor, Journal of Mone since September, 1993; consultant on econometric a Oversees 83, None
JOHN J. NEUHAUSER (Age 63) c/o Columbia Management Advisors, LLC One Financial Center	Academic Vice President and Dean of Faculties sinc College (formerly Dean, Boston College School of M September, 1977 to August, 1999). Oversees 89/(3)/

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Boston, MA 02111
Trustee (since 1985)

(athletic footwear)

/1/In December 2000, the boards of each of the former Liberty Funds and former Stein Roe Funds were combined into one board of trustees responsible for the oversight of both fund groups (collectively, the "Liberty Board"). In October 2003, the trustees on the Liberty Board were elected to the boards of the Columbia Funds (the "Columbia Board") and of the CMG Fund Trust (the "CMG Funds Board"); simultaneous with that election, Patrick J. Simpson and Richard L. Woolworth, who had been directors on the Columbia Board and trustees on the CMG Funds Board, were appointed to serve as trustees of the Liberty Board. The date shown is the earliest date on which a trustee/director was elected or appointed to the board of a Fund in the Columbia Funds Complex.

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[GRAPHIC]

TRUSTEES (CONTINUED)

Name, address and age, Position with funds,
Year first elected or appointed to office/1/

Principal occupation(s) during past five years, Nu
Columbia Funds Complex overseen by trustee/directo
held

Disinterested Trustees

PATRICK J. SIMPSON (Age 61)
c/o Columbia Management Advisors, LLC
One Financial Center
Boston, MA 02111
Trustee (since 2000)

Partner, Perkins Coie LLP (law firm). Oversees 83,

THOMAS E. STITZEL (Age 69)
c/o Columbia Management Advisors, LLC
One Financial Center
Boston, MA 02111
Trustee (since 1998)

Business Consultant since 1999 (formerly Professor
1999, College of Business, Boise State University)
Analyst. Oversees 83, None

THOMAS C. THEOBALD (Age 68)
c/o Columbia Management Advisors, LLC
One Financial Center
Boston, MA 02111
Trustee and Chairman
of the Board/4/ (since 1996)

Partner and Senior Advisor, Chicago Growth Partner
investing) since September, 2004 (formerly Managin
Blair Capital Partners (private equity investing)
September, 2004). Oversees 83, Anixter Internation
equipment distributor); Ventas, Inc. (real estate
Lang LaSalle (real estate management services) and
(financial guaranty insurance)

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ANNE-LEE VERVILLE (Age 60)
 c/o Columbia Management Advisors, LLC
 One Financial Center
 Boston, MA 02111
 Trustee (since 1998)

Retired since 1997 (formerly General Manager, Glob
 IBM Corporation (computer and technology) from 199
 Chairman of the Board of Directors, Enesco Group,
 and distributor of giftware and collectibles)

RICHARD L. WOOLWORTH (Age 64)
 c/o Columbia Management Advisors, LLC
 One Financial Center
 Boston, MA 02111
 Trustee (since 1991)

Retired since December, 2003 (formerly Chairman an
 Officer, The Regence Group (regional health insure
 Executive Officer, BlueCross BlueShield of Oregon;
 Accountant, Arthur Young & Company). Oversees 83,
 Co. (natural gas service provider)

Interested Trustee
 WILLIAM E. MAYER/2/ (Age 65)
 c/o Columbia Management Advisors, LLC
 One Financial Center
 Boston, MA 02111
 Trustee (since 1994)

Partner, Park Avenue Equity Partners (private equi
 (formerly Partner, Development Capital LLC from No
 February, 1999). Oversees 89/3,/ Lee Enterprises (,
 Hambrecht + Co. (financial service provider); Read
 (publishing); OPENFIELD Solutions (retail industry)

- /2/Mr. Mayer is an "interested person" (as defined in the Investment Company Act of 1940 (1940 Act)) by reason of his affiliation with WR Hambrecht + Co.
- /3/Messrs. Lowry, Neuhauser and Mayer also serve as directors/trustees of the Liberty All-Star Funds, currently consisting of 2 funds, which are advised by an affiliate of the Advisor.
- /4/Mr. Theobald was appointed as Chairman of the Board effective December 10, 2003.

The Statement of Additional Information Includes additional information about the Trustees of the Funds and is available, without charge, upon request by calling 800-426-3750.

[GRAPHIC]

OFFICERS

The Statement of Additional Information Includes additional information about the Trustees of the Funds and is available, without charge, upon request by calling 800-426-3750.

Name, address and age, Position with Columbia Funds, Year first elected or appointed to office Principal occupation(s) during past five years

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CHRISTOPHER L. WILSON (Age 48)
One Financial Center
Boston, MA 02111
President (since 2004)

Head of Mutual Funds since August, 2004 and Managing
Advisor since September, 2005; President of the
Funds and Stein Roe Funds since October, 2004;
Executive Officer of the Nations Funds since June
the Galaxy Funds since April, 2005; Director of
Liquidity Funds, plc since May, 2005; Director of
Management (Ireland), Limited since May, 2005;
Inc. since January, 2005; Senior Vice President
Distributors, Inc. since January, 2005; Director
Services, Inc. since January, 2005 (formerly S
Columbia Management from January, 2005 to August
President of BACAP Distributors LLC from January
President and Chief Executive Officer, CDC IXIS
Inc. from September, 1998 to August, 2004).

J. KEVIN CONNAUGHTON (Age 41)
One Financial Center
Boston, MA 02111
Treasurer (since 2000)

Treasurer of the Columbia Funds since October,
Funds, Stein Roe Funds and All-Star Funds since
Director of the Advisor since September, 2005
Columbia Management from April, 2003 to August
Columbia Funds, Liberty Funds and Stein Roe Fu
October, 2004; Chief Accounting Officer and Co
Funds and All-Star Funds from February, 1998 t
of the Galaxy Funds from September, 2002 to No
Treasurer from December, 2002 to December, 200
February, 2004 to December, 2004 of the Columb
Hedge Fund, LLC; Vice President of Colonial Ma
from February, 1998 to October, 2000).

MARY JOAN HOENE (Age 56)
100 Federal Street
Boston, MA 02110
Senior Vice President and
Chief Compliance Officer (since 2004)

Senior Vice President and Chief Compliance Off
Liberty Funds, Stein Roe Funds and All-Star Fu
Chief Compliance Officer of the Columbia Manag
Fund, LLC since August; 2004. Chief Compliance
Alternative Multi-Strategy Hedge Fund LLC sinc
Partner, Carter, Ledyard & Milburn LLP from Ja
Counsel, Carter, Ledyard & Milburn LLP from No
2000; Vice President and Counsel, Equitable Li
United States from April, 1998 to November, 19

MICHAEL G. CLARKE (Age 36)
One Financial Center
Boston, MA 02111
Chief Accounting Officer (since 2004)

Chief Accounting Officer of the Columbia Funds
Funds and All-Star Funds since October, 2004;
Advisor since September, 2005 (formerly Contro
Liberty Funds, Stein Roe Funds and All-Star Fu
October, 2004; Assistant Treasurer from June,
President, Product Strategy & Development of t
Roe Funds from February, 2001 to June, 2002; A
Liberty Funds, Stein Roe Funds and the All- St
to February, 2001; Audit Manager, Deloitte & T
August, 1999).

JEFFREY R. COLEMAN (Age 36)
One Financial Center
Boston, MA 02111
Controller (since 2004)

Controller of the Columbia Funds, Liberty Fund
All-Star Funds since October, 2004 (formerly V
Asset Management Services, Inc. and Deputy Tre
Funds and Loomis Sayles Funds from February, 2
Assistant Vice President of CDC IXIS Asset Man
Assistant Treasurer of the CDC Nvest Funds fro
2003; Tax Manager of PFPC, Inc. from November,

R. SCOTT HENDERSON (Age 46)
One Financial Center
Boston, MA 02111
Secretary (since 2004)

Secretary of the Columbia Funds, Liberty Funds
December, 2004 (formerly Of Counsel, Bingham M
September, 2004; Executive Director and Genera
Pension Reserves Investment Management Board f
March, 2001).

[GRAPHIC]

BOARD CONSIDERATION AND APPROVAL OF INVESTMENT ADVISORY AGREEMENTS

The Advisory Fees and Expenses Committee of the Board of Trustees meets one or more times annually, usually in late summer, to review the advisory agreements (collectively, the "Agreements") of the funds for which the Trustees serve as trustees or directors (each a "fund") and determine whether to recommend that the full Board approve the continuation of the Agreements for an additional one-year period. After the Committee has made its recommendation, the full Board, including the Independent Trustees, determines whether to approve the continuation of the Agreements. In addition, the Board, including the Independent Trustees, considers matters bearing on the Agreements at most of its other meetings throughout the year and meets regularly with the heads of each investment area within Columbia. The Trustees also meet with selected fund portfolio managers at various times throughout the year. The Trustees receive and review all materials that they, their legal counsel or Columbia, the funds' investment adviser, believe to be reasonably necessary for the Trustees to evaluate the Agreements and determine whether to approve the continuation of the Agreements. Those materials generally include, among other items, (i) information on the investment performance of each fund relative to the performance of peer groups of mutual funds and the fund's performance benchmarks, (ii) information on each fund's advisory fees and other expenses, including information comparing the fund's expenses to those of peer groups of mutual funds and information about any applicable expense caps and fee "breakpoints," (iii) sales and redemption data, (iv) information about the profitability of the Agreements to Columbia, and potential "fall-out" or ancillary benefits that Columbia and its affiliates may receive as a result of their relationships with the funds and (v) information obtained through Columbia's response to a questionnaire prepared at the request of the Trustees by counsel to the funds and independent legal counsel to the Independent Trustees. The Trustees also consider other information such as (vi) Columbia's financial results and financial condition, (vii) each fund's investment objective and strategies and the size, education and experience of Columbia's investment staffs and their use of technology, external research and trading cost measurement tools, (viii) the allocation of the funds' brokerage, if any, including allocations to brokers affiliated with Columbia and the use of "soft" commission dollars to pay fund expenses and to pay for research products and services, (ix) Columbia's resources devoted to, and its record of compliance with, the funds' investment policies and restrictions, policies on personal securities transactions and other compliance policies, (x) Columbia's response to various legal and regulatory proceedings since 2003 and (xi) the economic outlook generally and for the mutual fund industry in particular. In addition, the Trustees confer with their independent fee consultant and review materials relating to the Agreements that the independent fee consultant provides. Throughout the process, the Trustees have the opportunity to ask questions of and request additional materials from Columbia and to consult independent legal counsel to the Independent Trustees.

The Board of Trustees most recently approved the continuation of the Agreements

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at its October, 2005 meeting, following meetings of the Advisory Fees and Expenses Committee held in August, September, and October, 2005. In considering whether to approve the continuation of the Agreements, the Trustees, including the Independent Trustees, did not identify any single factor as determinative, and each weighed various factors as he or she deemed appropriate. The Trustees considered the following matters in connection with their approval of the continuation of the Agreements: The nature, extent and quality of the services provided to the funds under the Agreements. The Trustees considered the nature, extent and quality of the services provided by Columbia and its affiliates to the funds and the resources dedicated to the funds by Columbia and its affiliates. Among other things, the Trustees considered (i) Columbia's ability, including its resources, compensation programs for personnel involved in fund management, reputation and other attributes, to attract and retain highly qualified research, advisory and supervisory investment professionals; (ii) the portfolio management services provided by those investment professionals; and (iii) the trade execution services provided on behalf of the funds. For each fund, the Trustees also considered the benefits to shareholders of investing in a mutual fund that is part of a family of funds offering exposure to a variety of asset classes and investment disciplines and providing for a variety of fund and shareholder services. After reviewing those and related factors, the Trustees concluded, within the context of their overall conclusions regarding each of the Agreements, that the nature, extent and quality of services provided supported the continuation of the Agreements. Investment performance of the funds and Columbia. The Trustees reviewed information about the performance of each fund over various time periods, including information prepared by an independent third party that compared the performance of each fund to the performance of peer groups of mutual funds and performance benchmarks. The Trustees also reviewed a description of the third party's methodology for identifying each fund's peer group for purposes of performance and expense comparisons. The Trustees also considered additional information that the

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[GRAPHIC]

BOARD CONSIDERATION AND APPROVAL OF INVESTMENT ADVISORY AGREEMENTS

Advisory Fees and Expenses Committee requested from Columbia relating to funds that presented relatively weaker performance and/or relatively higher expenses. In the case of each fund that had performance that lagged that of a relevant peer group for certain (although not necessarily all) periods, the Trustees concluded that other factors relevant to performance were sufficient, in light of other considerations, to warrant continuation of the fund's Agreements. Those factors varied from fund to fund, but included one or more of the following: (i) that the fund's performance, although lagging in certain recent periods, was stronger over the longer term; (ii) that the underperformance was attributable, to a significant extent, to investment decisions that were reasonable and consistent with the fund's investment strategy and policies and that the fund was performing as expected, given market conditions and the fund's investment strategy; (iii) that the fund's performance was competitive when compared to other relevant performance benchmarks or peer groups; (iv) that Columbia had taken or was taking steps designed to help improve the fund's investment performance, including, but not limited to, replacing portfolio managers or modifying investment strategies; (v) that the fund's advisory fee

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had recently been, or was proposed to be, reduced, with the goal of helping th