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COLONIAL INTERMEDIATE HIGH INCOME FUND
Form N-CSRS
August 05, 2004

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 811-5567

Colonial Intermediate High Income 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: 11/30/2004

Date of reporting period: 05/31/2004

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

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ITEM 1. REPORTS TO STOCKHOLDERS.

COLONIAL INTERMEDIATE HIGH INCOME FUND

SEMIANNUAL REPORT

MAY 31, 2004

[PHOTO OF NEWSPAPER AND CALCULATOR]

PRESIDENT'S MESSAGE

July 21, 2004

Dear Shareholder:

We are pleased to let you know that FleetBoston Financial Corporation and Bank of America Corporation have merged, effective April 1, 2004. As a result of the merger, Columbia Management Group and your Colonial Intermediate High Income Fund became part of the Bank of America family of companies. Looking ahead, we believe this merger will be a real benefit to our shareholders. Preserving and leveraging our strengths, the combined organization intends to deliver additional research and management capabilities, as well as new products. There are no immediate changes planned for fund names, product lines, or customer service contacts.

As you might know, on March 15, 2004, FleetBoston Financial announced an agreement in principle with the staff of the Securities and Exchange Commission ("SEC") and the New York Attorney General ("NYAG") to settle charges involving market timing in Columbia Management mutual funds. (You may also know that Bank of America came to a similar settlement in principle at the same time.) The agreement requires the final approval of the SEC and the NYAG. This settlement in principle reflects our strong wish to put this regrettable situation behind us. Columbia Management has taken and will continue to take steps to strengthen policies, procedures and oversight to curb frequent trading of Columbia open-end fund shares.

Both your fund's trustees and Columbia Management are committed to serving the interests of our shareholders, and we will continue to work hard to help you achieve your financial goals.

As always, thank you for choosing Colonial Intermediate High Income Fund, and for giving us the opportunity to help you build a strong financial future.

Sincerely,

/s/ Thomas C. Theobald

/s/ J. Kevin Connaughton

Thomas C. Theobald
Chairman, Board of Trustees

J. Kevin Connaughton
President

J. Kevin Connaughton was named president of Colonial Intermediate High Income Fund on February 27, 2004.

NOT FDIC INSURED
MAY LOSE VALUE

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NO BANK GUARANTEE

Economic and market conditions change frequently. There is no assurance that trends described in this report will continue or commence.

PORTFOLIO MANAGERS' REPORT

[SIDEBAR DATA]:

PRICE PER SHARE
AS OF 05/31/04 (\$)

Net asset value 3.54

Market price 3.22

SIX-MONTH (CUMULATIVE) TOTAL RETURN AS OF 05/31/04 (%)

Net asset value 3.26

Market price -3.81

Lipper High Current
Yield Funds (Leveraged)
Category average 4.91

All results shown assume reinvestment of distributions.

DISTRIBUTIONS DECLARED PER
SHARE 12/01/03-05/31/04 (\$)

0.16

TOP 5 SECTORS AS OF 05/31/04 (%)

Amusement & recreation 9.5

Radiotelephone
communications 5.6

Independent
power producers 5.4

Cable 5.1

Chemicals &
allied products 4.9

Sector breakdowns are calculated as a percentage of total investments.

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TOP 10 CORPORATE ISSUERS AS OF 05/31/04 (%)

| | |
|------------------------------------|-------|
| Qwest | 1.8 |
| ----- | ----- |
| El Paso | 1.7 |
| ----- | ----- |
| Charter Communications Holdings | 1.5 |
| ----- | ----- |
| Dex Media | 1.4 |
| ----- | ----- |
| Allied Waste North America | 1.1 |
| ----- | ----- |
| Calpine | 1.1 |
| ----- | ----- |
| Pinnacle Entertainment | 1.1 |
| ----- | ----- |
| D.R. Horton | 1.0 |
| ----- | ----- |
| AES | 1.0 |
| ----- | ----- |
| Premier International Foods | 1.0 |
| ----- | ----- |

Corporate issuers are calculated as a percentage of total investments.

Because the fund is actively managed, there can be no guarantee that the fund will continue to hold securities of these issuers in these sectors in the future.

For the six-month period ended May 31, 2004, Colonial Intermediate High Income Fund returned 3.26%, based on investment at net asset value. The fund underperformed the Lipper High Current Yield Funds (Leveraged) Category average, which was 4.91%.¹ We believe the fund trailed its peers because, although we increased our exposure to lower-rated issues during the period, we remained less aggressively positioned at a time when lower-rated issues were strong performers. Also, several peer funds maintain higher leverage, which helped performance as high-yield bonds rallied.

Consumer products, chemical and metals companies all benefited from continued economic expansion, and many of the fund's positions in these sectors contributed to the fund's return. In consumer products, our position in Levi Strauss (0.4% of total investments) appreciated as strong product sales through Wal-Mart Stores (not in the portfolio) improved Levi's operating results. Levi's is also expected to realize a substantial gain on the sale of its Dockers brand. Within the chemical sector, profit margins improved despite increased costs for natural gas. Our position in UAP Holdings (0.5% of total investments) benefited from this trend. Its bonds appreciated as the company experienced improving demand for fertilizer and agricultural chemicals. Huntsman ICI Holdings (1.0% of total investments) benefited as demand drove up prices of commodity chemicals. Finally, rising steel prices drove a sharp operating improvement at Oregon Steel Mills (0.3% of total investments) during the period, and the bonds gained in value.

In other industries, ongoing growth in the US cellular market aided bonds of US Unwired (0.8% of total investments). Securities of LaBranche & Co. (0.5% of total investments), a specialist member of the New York Stock Exchange, rose

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after the company announced a settlement agreement with the Securities and Exchange Commission on specialist trading charges and completed a successful refinancing, during which the fund's holdings were called in at favorable prices.

The fund's disappointments included Level 3 Communications (0.3% of total investments), which provides Internet connectivity for broadband and DSL communications. The bonds of Delta Air Lines (0.3% of total

1 Lipper Inc., a widely respected data provider, calculates an average total return for mutual funds with similar investment objectives.

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PORTFOLIO MANAGERS' REPORT (CONTINUED)

investments) declined in value as high labor costs and soaring jet fuel prices ate into revenues. Electric utility Calpine (1.1% of total investments) underperformed when the rising cost of natural gas undercut its competitive position versus utility companies that burn less costly fuels.

COUNTERVAILING FORCES AT WORK GOING FORWARD

We believe that high-yield markets now face countervailing forces. On the positive side, a stronger economy means that many issuers have the potential to increase revenues and strengthen their financial conditions. During the reporting period, defaults among high-yield issuers fell below two percent. However, rising interest rates and a heavy volume of new issuance could hold prices down.

To increase potential returns in this environment, we selectively increased the fund's CCC- and lower-rated holdings. These lower-quality securities typically benefit the most from an economic recovery, tend to be the least negatively affected by higher interest rates and also tend to generate higher yields than higher-rated securities. In addition, we trimmed exposure to sectors that are more sensitive to rising interest rates and avoided lower-coupon, longer maturity issues that might be vulnerable to rising rates.

Sincerely,

/s/ Gregg R. Smalley

/s/ Kevin L. Cronk

/s/ Thomas A. LaPointe

Gregg R. Smalley

Kevin L. Cronk

Thomas A. LaPointe

Gregg R. Smalley, CFA, a member of the High Yield Portfolio Management Team at Columbia Management Advisors, Inc. (the "advisor"), has been a portfolio manager of Colonial Intermediate High Income Fund since June 2000. Mr. Smalley joined an affiliate of the advisor in August 1997 as a research analyst specializing in the energy, cable, and telecom industries.

Kevin L. Cronk, CFA, a member of the advisor's High Yield Portfolio Management Team, has co-managed the fund since February 2003. Mr. Cronk joined an affiliate of the advisor in August 1999 as a research analyst specializing in the chemicals, healthcare and telecom industries. Prior to joining the advisor, Mr. Cronk was an investment associate in the High Yield Group at Putnam Investments from May 1996 to July 1999.

Thomas A. LaPointe, CFA, a member of the advisor's High Yield Portfolio

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Management Team, has co-managed the fund since February 2003. Mr. LaPointe joined an affiliate of the advisor in February 1999 as a senior member of the Fixed Income Department's research group and has provided high-yield analytical support to mutual funds investing in the metals, gaming and European telecom industries. Before joining the advisor, Mr. LaPointe was a convertible arbitrage analyst at the Canadian Imperial Bank of Commerce from April 1998 to February 1999.

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PORTFOLIO MANAGERS' REPORT (CONTINUED)

Past performance is no guarantee of future investment results. Current performance may be higher or lower than the performance data quoted.

Investing in high-yield bonds involves greater credit risk and other risks not associated with investing in higher-quality bonds. Bond investing also involves interest rate risk, which means that bond prices may change as interest rates increase or decrease.

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INVESTMENT PORTFOLIO

May 31, 2004 (Unaudited)

| CORPORATE FIXED-INCOME BONDS & NOTES - 126.9% | PAR | VALUE (\$) |
|--|-------------|------------|
| ----- | | |
| AGRICULTURE - 0.6% | | |
| AGRICULTURE PRODUCTION - 0.6% | | |
| Seminis, Inc., | | |
| 10.250% 10/01/13 | USD 438,000 | 473,040 |
| | | ----- |
| Agriculture Production Total | | 473,040 |
| | | ----- |
| AGRICULTURE TOTAL | | 473,040 |
| | | ----- |
| ----- | | |
| CONSTRUCTION - 5.6% | | |
| BUILDING CONSTRUCTION - 5.6% | | |
| Associated Materials, Inc.: | | |
| (b) 03/01/14 | | |
| (11.250% 03/01/09) (a) | 205,000 | 134,275 |
| 9.750% 04/15/12 | 325,000 | 355,875 |
| Atrium Companies, Inc.: | | |
| 10.500% 05/01/09 | 245,000 | 257,250 |
| 10.500% 05/01/09 (a) | 200,000 | 210,000 |
| D.R. Horton, Inc., | | |
| 9.750% 09/15/10 | 955,000 | 1,088,700 |
| K. Hovnanian Enterprises, Inc.: | | |
| 8.875% 04/01/12 | 170,000 | 177,225 |
| 10.500% 10/01/07 | 340,000 | 390,150 |
| Norcraft Companies, | | |
| 9.000% 11/01/11 (a) | 140,000 | 147,700 |
| Nortek Holdings, Inc., | | |

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| | | |
|-----------------------------|---------|-----------|
| (b) 05/15/11 | | |
| (10.000% 11/15/07) (a) | 540,000 | 402,300 |
| Standard Pacific Corp., | | |
| 9.250% 04/15/12 | 415,000 | 444,050 |
| WII Components, Inc., | | |
| 10.000% 02/15/12 (a) | 320,000 | 315,200 |
| William Lyon Homes, Inc., | | |
| 10.750% 04/01/13 | 210,000 | 232,575 |
| | | ----- |
| Building Construction Total | | 4,155,300 |
| | | ----- |
| CONSTRUCTION TOTAL | | 4,155,300 |
| | | ----- |

| | | |
|---|---------|---------|
| ----- | | |
| FINANCE, INSURANCE & REAL ESTATE - 4.3% | | |
| DEPOSITORY INSTITUTIONS - 0.3% | | |
| Western Financial Bank, | | |
| 9.625% 05/15/12 | 210,000 | 227,850 |
| | | ----- |
| Depository Institutions Total | | 227,850 |
| | | ----- |

| | | |
|-----------------------------------|-----------|-----------|
| FINANCIAL SERVICES - 3.8% | | |
| Dollar Financial Group, Inc., | | |
| 9.750% 11/15/11 | 405,000 | 413,100 |
| FINOVA Group, Inc., | | |
| 7.500% 11/15/09 | 538,187 | 296,003 |
| Global Cash Access LLC, | | |
| 8.750% 03/15/12 (a) | 340,000 | 351,900 |
| LaBranche & Co., Inc., | | |
| 11.000% 05/15/12 (a) | 505,000 | 515,100 |
| Thornburg Mortgage, Inc., | | |
| 8.000% 05/15/13 | 250,000 | 246,250 |
| TRAC-X North American High Yield, | | |
| 8.000 03/25/09 (a) | 1,000,000 | 955,000 |
| | | ----- |
| Financial Services Total | | 2,777,353 |
| | | ----- |

PAR VALUE (\$)

| | | |
|--------------------------------|-------------|-----------|
| ----- | | |
| REAL ESTATE - 0.2% | | |
| Forest City Enterprises, Inc., | | |
| 7.625% 06/01/15 | USD 165,000 | 170,775 |
| | | ----- |
| Real Estate Total | | 170,775 |
| | | ----- |
| FINANCE, INSURANCE | | |
| & REAL ESTATE TOTAL | | |
| | | 3,175,978 |
| | | ----- |

| | | |
|---------------------------------|---------|---------|
| ----- | | |
| INDUSTRIALS - 0.3% | | |
| INDUSTRIAL CONGLOMERATES - 0.3% | | |
| SPX Corp., | | |
| 7.500% 01/01/13 | 250,000 | 254,375 |
| | | ----- |
| Industrial Conglomerates Total | | 254,375 |
| | | ----- |
| INDUSTRIALS TOTAL | | 254,375 |

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| ----- | | |
|----------------------------|---------|-----------|
| MANUFACTURING - 41.5% | | |
| APPAREL - 1.4% | | |
| Broder Brothers Co., | | |
| 11.250% 10/15/10 | 225,000 | 217,125 |
| Levi Strauss & Co., | | |
| 12.250% 12/15/12 | 425,000 | 386,750 |
| Phillips-Van Heusen Corp., | | |
| 7.250% 02/15/11 (a) | 300,000 | 300,000 |
| Warnaco, Inc., | | |
| 8.875% 06/15/13 | 100,000 | 105,750 |
| | | ----- |
| Apparel Total | | 1,009,625 |
| | | ----- |

| | | |
|---------------------------------|---------|-----------|
| AUTO PARTS & EQUIPMENT - 2.1% | | |
| Accuride Corp., | | |
| 9.250% 02/01/08 | 155,000 | 157,712 |
| Dana Corp., | | |
| 9.000% 08/15/11 | 210,000 | 237,825 |
| Delco Remy International, Inc.: | | |
| 9.375% 04/15/12 (a) | 65,000 | 62,888 |
| 11.000% 05/01/09 | 250,000 | 262,500 |
| Dura Operating Corp.: | | |
| 8.625% 04/15/12 | 345,000 | 348,450 |
| 9.000% 05/01/09 | 250,000 | 242,500 |
| Navistar International Corp., | | |
| 7.500% 06/15/11 (e) | 185,000 | 185,462 |
| TRW Automotive, Inc., | | |
| 9.375% 02/15/13 | 76,000 | 84,170 |
| | | ----- |
| Auto Parts & Equipment Total | | 1,581,507 |
| | | ----- |

| | | |
|------------------------------------|-----------|-----------|
| CHEMICALS & ALLIED PRODUCTS - 6.9% | | |
| Avecia Group PLC, | | |
| 11.000% 07/01/09 | 400,000 | 294,000 |
| Equistar Chemicals LP: | | |
| 10.125% 09/01/08 | 305,000 | 330,925 |
| 10.625% 05/01/11 | 200,000 | 219,000 |
| Huntsman ICI Holdings LLC, | | |
| (c) 12/31/09 | 2,125,000 | 1,041,250 |
| IMC Global, Inc., | | |
| 10.875% 08/01/13 | 310,000 | 372,000 |
| INVISTA, | | |
| 9.250% 05/01/12 (a) | 210,000 | 208,425 |
| Koppers Industries, Inc., | | |
| 9.875% 10/15/13 (a) | 360,000 | 387,000 |

See notes to investment portfolio.

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INVESTMENT PORTFOLIO (CONTINUED)

May 31, 2004 (unaudited)

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| CORPORATE FIXED-INCOME BONDS & NOTES (CONTINUED) | PAR | VALUE (\$) |
|---|-------------|------------|
| ----- | | |
| MANUFACTURING (CONTINUED) | | |
| CHEMICALS & ALLIED PRODUCTS (CONTINUED) | | |
| Lyondell Chemical Co., | | |
| 9.625% 05/01/07 | USD 440,000 | 457,600 |
| 9.875% 05/01/07 | 180,000 | 187,200 |
| NOVA Chemicals Corp., | | |
| 6.500% 01/15/12 | 170,000 | 166,983 |
| Terra Capital, Inc., | | |
| 12.875% 10/15/08 | 475,000 | 565,250 |
| UAP Holding Corp.: | | |
| (b) 07/15/12 | | |
| (10.750% 01/15/08) (a) | 295,000 | 230,100 |
| 8.250% 12/15/11 (a) | 245,000 | 274,400 |
| Westlake Chemical Corp., | | |
| 8.750% 07/15/11 | 395,000 | 426,600 |
| | | ----- |
| Chemicals & Allied Products Total | | 5,160,733 |
| | | ----- |
| ELECTRONIC & ELECTRICAL EQUIPMENT - 1.2% | | |
| Amkor Technology, Inc., | | |
| 9.250% 02/15/08 | 285,000 | 300,675 |
| Lucent Technologies, Inc., | | |
| 6.450% 03/15/29 | 335,000 | 252,925 |
| Stratus Technologies, Inc., | | |
| 10.375% 12/01/08 (a) | 200,000 | 195,000 |
| Xerox Corp., | | |
| 7.125% 06/15/10 | 160,000 | 160,000 |
| | | ----- |
| Electronic & Electrical Equipment Total | | 908,600 |
| | | ----- |
| FABRICATED METAL - 0.6% | | |
| Earle M. Jorgensen Co., | | |
| 9.750% 06/01/12 | 425,000 | 463,250 |
| | | ----- |
| Fabricated Metal Total | | 463,250 |
| | | ----- |
| FOOD & KINDRED PRODUCTS - 4.9% | | |
| Constellation Brands, Inc., | | |
| 8.125% 01/15/12 | 270,000 | 283,500 |
| Del Monte Corp., | | |
| 9.250% 05/15/11 | 500,000 | 536,250 |
| Dole Food Co., Inc., | | |
| 8.625% 05/01/09 | 415,000 | 419,150 |
| Merisant Co., | | |
| 9.500% 07/15/13 (a) | 205,000 | 219,350 |
| Pinnacle Foods, | | |
| 8.250% 12/01/13 (a) | 385,000 | 380,188 |
| Premier International Foods PLC, | | |
| 12.000% 09/01/09 | 1,000,000 | 1,062,500 |
| Roundy's, Inc., | | |
| 8.875% 06/15/12 | 410,000 | 438,700 |
| Tabletop Holdings, Inc., | | |
| (b) 05/15/14 | | |
| (12.250% 11/15/08) (a) | 525,000 | 294,000 |
| | | ----- |

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Food & Kindred Products Total 3,633,638

| | PAR | VALUE (\$) |
|------------------------------------|---------|------------|
| ----- | | |
| FURNITURE & FIXTURES - 1.0% | | |
| Congoleum Corp., | | |
| 8.625% 08/01/08 (d) USD | 225,000 | 164,250 |
| Juno Lighting, Inc., | | |
| 11.875% 07/01/09 | 295,000 | 314,175 |
| Tempur-Pedic, Inc., | | |
| 10.250% 08/15/10 | 222,000 | 250,860 |
| | | ----- |
| Furniture & Fixtures Total | | 729,285 |
| | | ----- |
| HOUSEHOLD PRODUCTS - 1.1% | | |
| Elizabeth Arden, Inc., | | |
| 7.750% 01/15/14 (a) | 245,000 | 243,775 |
| Playtex Products, Inc., | | |
| 9.375% 06/01/11 | 600,000 | 579,000 |
| | | ----- |
| Household Products Total | | 822,775 |
| | | ----- |
| LUMBER & WOOD - 0.5% | | |
| Georgia-Pacific Corp., | | |
| 8.000% 01/15/24 (a) | 130,000 | 126,425 |
| Millar Western Forest Products, | | |
| 7.750% 11/15/13 (a) | 225,000 | 226,125 |
| | | ----- |
| Lumber & Wood Total | | 352,550 |
| | | ----- |
| MISCELLANEOUS MANUFACTURING - 6.7% | | |
| Amscan Holdings, Inc., | | |
| 8.750% 05/01/14 (a) | 360,000 | 358,200 |
| FastenTech, Inc., | | |
| 11.500% 05/01/11 (a) | 460,000 | 494,500 |
| Flowserve Corp., | | |
| 12.250% 08/15/10 | 361,000 | 407,930 |
| Hexcel Corp., | | |
| 9.750% 01/15/09 | 370,000 | 385,725 |
| J.B. Poindexter & Co., | | |
| 8.750% 03/15/14 (a) | 335,000 | 329,975 |
| MAAX Corp., | | |
| 9.750% 06/15/12 (a) (e) | 210,000 | 215,250 |
| Mueller Group, Inc., | | |
| (b) 04/15/14 | | |
| (14.750% 04/15/09) | 375,000 | 204,375 |
| 10.000% 05/01/12 (a) | 165,000 | 169,125 |
| Rexnord Corp., | | |
| 10.125% 12/15/12 | 195,000 | 210,600 |
| Superior Essex Communications LLC, | | |
| 9.000% 04/15/12 (a) | 260,000 | 248,300 |
| Tekni-Plex, Inc., | | |
| 12.750% 06/15/10 | 565,000 | 565,000 |
| Terex Corp., | | |
| 10.375% 04/01/11 | 320,000 | 355,200 |

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| | | |
|-----------------------------------|---------|-----------|
| TriMas Corp., | | |
| 9.875% 06/15/12 | 725,000 | 772,125 |
| Trinity Industries, Inc., | | |
| 6.500% 03/15/14 (a) | 165,000 | 155,100 |
| Valmont Industries, Inc., | | |
| 6.875% 05/01/14 (a) | 105,000 | 102,900 |
| | | ----- |
| Miscellaneous Manufacturing Total | | 4,974,305 |

See notes to investment portfolio.

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INVESTMENT PORTFOLIO (CONTINUED)

May 31, 2004 (Unaudited)

| CORPORATE FIXED-INCOME | PAR | VALUE (\$) |
|---------------------------------------|---------|------------|
| BONDS & NOTES (CONTINUED) | | |
| ----- | | |
| MANUFACTURING (CONTINUED) | | |
| PAPER PRODUCTS - 4.0% | | |
| Applied Extrusion Technologies, Inc., | | |
| 10.750% 07/01/11 USD | 260,000 | 165,100 |
| Buckeye Technologies, Inc.: | | |
| 8.500% 10/01/13 | 60,000 | 61,200 |
| 9.250% 09/15/08 | 235,000 | 230,300 |
| Caraustar Industries, Inc., | | |
| 9.875% 04/01/11 | 355,000 | 353,225 |
| Consolidated Container Co. LLC, | | |
| (b) 06/15/09 | | |
| (10.750% 06/15/07) (a) | 280,000 | 208,600 |
| MDP Acquisitions PLC, | | |
| 9.625% 10/01/12 | 525,000 | 567,000 |
| Newark Group, Inc., | | |
| 9.750% 03/15/14 (a) | 205,000 | 193,725 |
| Norske Skog Canada Ltd.: | | |
| 7.375% 03/01/14 (a) | 105,000 | 102,675 |
| 8.625% 06/15/11 | 150,000 | 158,250 |
| Portola Packaging, Inc., | | |
| 8.250% 02/01/12 (a) | 210,000 | 175,350 |
| Smurfit-Stone Container Corp., | | |
| 8.250% 10/01/12 | 450,000 | 456,750 |
| Solo Cup Co., | | |
| 8.500% 02/15/14 (a) | 140,000 | 140,000 |
| Tembec Industries, Inc., | | |
| 8.500% 02/01/11 | 125,000 | 123,750 |
| | | ----- |
| Paper Products Total | | 2,935,925 |
| | | ----- |
| PRIMARY METAL - 2.7% | | |
| Bayou Steel Corp., | | |
| 9.000% 03/31/11 | 250,000 | 226,250 |
| Kaiser Aluminum & Chemical Corp., | | |
| 10.875% 10/15/06 (f) | 505,000 | 499,950 |
| Metallurg, Inc., | | |
| 11.000% 12/01/07 | 200,000 | 96,000 |
| Oregon Steel Mills, Inc., | | |

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| | | |
|------------------------|---------|-----------|
| 10.000% 07/15/09 | 275,000 | 283,250 |
| Steel Dynamics, Inc.: | | |
| 9.500% 03/15/09 | 80,000 | 87,600 |
| 9.500% 03/15/09 (a) | 80,000 | 87,600 |
| UCAR Finance, Inc., | | |
| 10.250% 02/15/12 | 355,000 | 392,275 |
| Wise Metals Group LLC, | | |
| 10.250% 05/15/12 (a) | 315,000 | 318,150 |
| | | ----- |
| Primary Metal Total | | 1,991,075 |
| | | ----- |

PRINTING & PUBLISHING - 5.7%

| | | |
|-----------------------|---------|---------|
| Dex Media, Inc.: | | |
| (b) 11/15/13 | | |
| (9.000% 11/15/08) (a) | 250,000 | 161,250 |
| 8.000% 11/15/13 (a) | 320,000 | 304,000 |
| Dex Media East LLC, | | |
| 12.125% 11/15/12 | 565,000 | 658,225 |
| Dex Media West LLC, | | |
| 9.875% 08/15/13 (a) | 280,000 | 308,350 |

| | PAR | VALUE (\$) |
|---------------------------------|---------|------------|
| ----- | | |
| Haight's Cross Communications: | | |
| (b) 08/15/11 | | |
| (12.500% 02/01/09) (a) USD | 315,000 | 171,675 |
| 11.750% 08/15/11 | 165,000 | 177,375 |
| Hollinger, Inc., | | |
| 11.875% 03/01/11 (a) | 295,000 | 342,937 |
| Quebecor Media, Inc., | | |
| 11.125% 07/15/11 | 725,000 | 821,063 |
| Sheridan Group, | | |
| 10.250% 08/15/11 (a) | 250,000 | 264,375 |
| Von Hoffmann Corp., | | |
| 10.250% 03/15/09 | 620,000 | 616,900 |
| Yell Finance BV, | | |
| 10.750% 08/01/11 | 388,000 | 450,080 |
| | | ----- |
| Printing & Publishing Total | | 4,276,230 |
| | | ----- |

STONE, CLAY, GLASS & CONCRETE - 1.9%

| | | |
|-------------------------------------|---------|-----------|
| Crown European Holdings SA, | | |
| 10.875% 03/01/13 | 280,000 | 313,600 |
| Owens-Brockway Glass Container, | | |
| 8.250% 05/15/13 | 600,000 | 594,000 |
| Owens-Illinois, Inc.: | | |
| 7.350% 05/15/08 | 200,000 | 192,000 |
| 7.500% 05/15/10 | 75,000 | 70,500 |
| U.S. Concrete, Inc., | | |
| 8.375% 04/01/14 (a) | 275,000 | 272,937 |
| | | ----- |
| Stone, Clay, Glass & Concrete Total | | 1,443,037 |
| | | ----- |

TEXTILE MILL PRODUCTS - 0.3%

Collins & Aikman Floorcovering, Inc.,

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| | | |
|-----------------------------------|---------------------|------------|
| 9.750% 02/15/10 | 225,000 | 228,375 |
| | | ----- |
| Textile Mill Products Total | | 228,375 |
| | | ----- |
| TOBACCO PRODUCTS - 0.3% | | |
| North Atlantic Trading Co., Inc., | | |
| 9.250% 03/01/12 (a) | 225,000 | 224,437 |
| | | ----- |
| Tobacco Products Total | | 224,437 |
| | | ----- |
| TRANSPORTATION EQUIPMENT - 0.2% | | |
| Newcor, Inc., PIK, | | |
| 6.000% 01/01/13 (g) | 215,562 | 131,493 |
| | | ----- |
| Transportation Equipment Total | | 131,493 |
| | | ----- |
| | MANUFACTURING TOTAL | 30,866,840 |
| | | ----- |

| | | |
|-----------------------------|---------|---------|
| ----- | | |
| MINING & ENERGY - 6.2% | | |
| OIL & GAS EXTRACTION - 4.2% | | |
| Benton Oil & Gas Co., | | |
| 9.375% 11/01/07 | 485,000 | 494,700 |
| Chesapeake Energy Corp., | | |
| 7.500% 06/15/14 (a) | 135,000 | 139,050 |
| Compton Petroleum Corp., | | |
| 9.900% 05/15/09 | 475,000 | 515,375 |
| Denbury Resources, Inc., | | |
| 7.500% 04/01/13 | 75,000 | 75,000 |
| Encore Acquisition Co., | | |
| 8.375% 06/15/12 | 325,000 | 344,500 |

See notes to investment portfolio.

6

INVESTMENT PORTFOLIO (CONTINUED)

May 31, 2004 (Unaudited)

CORPORATE FIXED-INCOME

BONDS & NOTES (CONTINUED) PAR VALUE (\$)

MINING & ENERGY (CONTINUED)

OIL & GAS EXTRACTION (CONTINUED)

| | | |
|--------------------------------|-------------|-----------|
| Energy Partners Ltd., | | |
| 8.750% 08/01/10 | USD 205,000 | 212,175 |
| Forest Oil Corp., | | |
| 8.000% 06/15/08 | 400,000 | 421,000 |
| Magnum Hunter Resources, Inc., | | |
| 9.600% 03/15/12 | 435,000 | 474,150 |
| Whiting Petroleum Corp., | | |
| 7.250% 05/01/12 (a) | 425,000 | 426,063 |
| | | ----- |
| Oil & Gas Extraction Total | | 3,102,013 |

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| | | |
|---------------------------------|---------|-----------|
| ----- | | |
| OIL & GAS FIELD SERVICES - 2.0% | | |
| CHC Helicopter Corp., | | |
| 7.375% 05/01/14 (a) | 275,000 | 268,813 |
| J. Ray McDermott SA, | | |
| 11.000% 12/15/13 (a) | 175,000 | 165,812 |
| Newpark Resources, Inc., | | |
| 8.625% 12/15/07 | 270,000 | 276,750 |
| Petroleum Helicopters, Inc., | | |
| 9.375% 05/01/09 | 530,000 | 551,200 |
| Premcor Refining Group, Inc., | | |
| 7.500% 06/15/15 | 235,000 | 239,700 |
| | | ----- |
| Oil & Gas Field Services Total | | 1,502,275 |
| | | ----- |
| MINING & ENERGY TOTAL | | 4,604,288 |
| | | ----- |

| | | |
|-----------------------------------|---------|---------|
| ----- | | |
| RETAIL TRADE - 2.3% | | |
| APPAREL & ACCESSORY STORES - 0.5% | | |
| Finlay Fine Jewelry Corp., | | |
| 8.375% 06/01/12 (a) (e) | 280,000 | 284,900 |
| Saks, Inc., | | |
| 7.000% 12/01/13 | 83,000 | 81,755 |
| | | ----- |
| Apparel & Accessory Stores Total | | 366,655 |
| | | ----- |

| | | |
|-------------------------------------|---------|-----------|
| ----- | | |
| MISCELLANEOUS RETAIL - 1.8% | | |
| Asbury Automotive Group, Inc., | | |
| 8.000% 03/15/14 | 320,000 | 296,000 |
| Leiner Health Products, | | |
| 11.000% 06/01/12 (a) | 80,000 | 82,800 |
| Nebraska Book Co., Inc., | | |
| 8.625% 03/15/12 (a) | 205,000 | 202,438 |
| Rite Aid Corp., | | |
| 9.250% 06/01/13 | 470,000 | 481,750 |
| Steinway Musical Instruments, Inc., | | |
| 8.750% 04/15/11 | 265,000 | 286,200 |
| | | ----- |
| Miscellaneous Retail Total | | 1,349,188 |
| | | ----- |
| RETAIL TRADE TOTAL | | 1,715,843 |
| | | ----- |

| | | |
|---------------------------------|---------|---------|
| ----- | | |
| SERVICES - 22.4% | | |
| AMUSEMENT & RECREATION - 13.3% | | |
| American Casino & Entertainment | | |
| Properties LLC, | | |
| 7.850% 02/01/12 (a) | 395,000 | 395,988 |
| Ameristar Casinos, Inc., | | |
| 10.750% 02/15/09 | 400,000 | 458,000 |

| | | |
|------------------------------|-----|------------|
| | PAR | VALUE (\$) |
| ----- | | |
| AMF Bowling Worldwide, Inc., | | |

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| | | | |
|---|-----|-----------|-----------|
| 10.000% 03/01/10 (a) | USD | 245,000 | 248,675 |
| Bombardier Recreational Products, | | | |
| 8.375% 12/15/13 (a) | | 520,000 | 488,800 |
| Boyd Gaming Corp., | | | |
| 8.750% 04/15/12 | | 125,000 | 132,813 |
| Cinemark, Inc., | | | |
| (b) 03/15/14 | | | |
| (9.750% 03/15/09) (a) | | 470,000 | 298,450 |
| Circus-Circus & Eldorado/Silver Legacy, | | | |
| 10.125% 03/01/12 | | 225,000 | 224,437 |
| Equinox Holdings, Inc., | | | |
| 9.000% 12/15/09 (a) | | 405,000 | 407,025 |
| Hard Rock Hotel, Inc., | | | |
| 8.875% 06/01/13 | | 290,000 | 294,350 |
| Hollywood Casino Shrevport, | | | |
| 13.000% 08/01/06 (h) | | 950,000 | 703,000 |
| Inn of the Mountain Gods | | | |
| Resort & Casino, | | | |
| 12.000% 11/15/10 (a) | | 240,000 | 260,400 |
| Mohegan Tribal Gaming Authority, | | | |
| 8.000% 04/01/12 | | 500,000 | 527,500 |
| Park Place Entertainment Corp., | | | |
| 9.375% 02/15/07 | | 435,000 | 469,800 |
| Pinnacle Entertainment, Inc.: | | | |
| 8.250% 03/15/12 (a) | | 200,000 | 189,500 |
| 8.750% 10/01/13 | | 1,015,000 | 994,700 |
| Premier Entertainment Biloxi LLC, | | | |
| 10.750% 02/01/12 (a) | | 200,000 | 210,500 |
| River Rock Entertainment, | | | |
| 9.750% 11/01/11 (a) | | 370,000 | 392,200 |
| Seneca Gaming Corp., | | | |
| 7.250% 05/01/12 (a) | | 345,000 | 341,550 |
| Six Flags, Inc., | | | |
| 9.500% 02/01/09 | | 845,000 | 860,844 |
| Station Casinos, Inc.: | | | |
| 6.000% 04/01/12 | | 170,000 | 161,925 |
| 6.875% 03/01/16 | | 290,000 | 274,050 |
| Town Sports International, Inc., | | | |
| (b) 02/01/14 | | | |
| (11.000% 02/01/14) (a) | | 410,000 | 202,950 |
| Trump Casino Holdings LLC, | | | |
| 17.625% 09/15/10 PIK | | 365,000 | 368,650 |
| Vail Resorts, Inc., | | | |
| 6.750% 02/15/14 (a) | | 285,000 | 265,050 |
| Warner Music Group, | | | |
| 7.375% 04/15/14 (a) | | 380,000 | 370,500 |
| Wynn Las Vegas LLC, | | | |
| 12.000% 11/01/10 | | 300,000 | 351,000 |
| | | | ----- |
| Amusement & Recreation Total | | | 9,892,657 |
| | | | ----- |
| FUNERAL SERVICES - 0.6% | | | |
| Service Corp. International, | | | |
| 7.700% 04/15/09 | | 450,000 | 465,750 |
| | | | ----- |
| Funeral Services Total | | | 465,750 |
| | | | ----- |

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See notes to investment portfolio.

7

INVESTMENT PORTFOLIO (CONTINUED)

May 31, 2004 (Unaudited)

CORPORATE FIXED-INCOME

| BONDS & NOTES (CONTINUED) | PAR | VALUE (\$) |
|---|---------|------------|
| ----- | | |
| SERVICES (CONTINUED) HEALTH SERVICES - 5.1% | | |
| Bio-Rad Laboratories, Inc., | | |
| 7.500% 08/15/13 USD | 340,000 | 351,900 |
| Coventry Health Care, Inc., | | |
| 8.125% 02/15/12 | 525,000 | 585,375 |
| HCA, Inc., | | |
| 8.750% 09/01/10 | 275,000 | 309,254 |
| InSight Health Services Corp., | | |
| 9.875% 11/01/11 | 490,000 | 498,575 |
| MedQuest, Inc., | | |
| 11.875% 08/15/12 | 500,000 | 562,500 |
| PacifiCare Health Systems, Inc., | | |
| 10.750% 06/01/09 | 125,000 | 142,812 |
| Team Health, Inc., | | |
| 9.000% 04/01/12 (a) | 295,000 | 278,775 |
| Tenet Healthcare Corp.: | | |
| 5.375% 11/15/06 | 125,000 | 117,813 |
| 6.375% 12/01/11 | 580,000 | 493,000 |
| United Surgical Partners International, Inc., | | |
| 10.000% 12/15/11 | 400,000 | 451,000 |
| | | ----- |
| Health Services Total | | 3,791,004 |
| | | ----- |
| HOTELS, CAMPS & LODGING - 0.9% | | |
| Starwood Hotels & Resorts | | |
| Worldwide, Inc., | | |
| 7.875% 05/01/12 | 625,000 | 657,812 |
| | | ----- |
| Hotels, Camps & Lodging Total | | 657,812 |
| | | ----- |
| OTHER SERVICES - 2.5% | | |
| Advanstar Communications, Inc., | | |
| 12.000% 02/15/11 | 650,000 | 689,000 |
| Corrections Corp. of America, | | |
| 9.875% 05/01/09 | 350,000 | 386,750 |
| GEO Group, Inc., | | |
| 8.250% 07/15/13 | 160,000 | 157,600 |
| NationsRent, Inc., | | |
| 9.500% 10/15/10 (a) | 425,000 | 450,500 |
| Williams Scotsman, Inc., | | |
| 9.875% 06/01/07 | 200,000 | 197,000 |
| | | ----- |
| Other Services Total | | 1,880,850 |
| | | ----- |
| SERVICES TOTAL | | 16,688,073 |

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TRANSPORTATION, COMMUNICATIONS, ELECTRIC,
GAS & SANITARY SERVICES - 43.7%
AEROSPACE - 1.3%

| | | | |
|-----------------------------------|---------|--|---------|
| BE Aerospace, Inc., | | | |
| 8.875% 05/01/11 | 375,000 | | 354,375 |
| Sequa Corp., | | | |
| 8.875% 04/01/08 | 200,000 | | 212,000 |
| TransDigm, Inc., | | | |
| 8.375% 07/15/11 | 250,000 | | 252,500 |
| Vought Aircraft Industries, Inc., | | | |
| 8.000% 07/15/11 (a) | 160,000 | | 153,200 |
| | | | ----- |
| Aerospace Total | | | 972,075 |

| | PAR | | VALUE (\$) |
|-----------------------------|---------|--|------------|
| ----- | | | |
| AIR TRANSPORTATION - 1.7% | | | |
| Continental Airlines, Inc., | | | |
| 7.568% 12/01/06 USD | 400,000 | | 338,000 |
| Delta Air Lines, Inc., | | | |
| 7.900% 12/15/09 | 535,000 | | 267,500 |
| Northwest Airlines, Inc., | | | |
| 9.875% 03/15/07 | 475,000 | | 351,500 |
| United Air Lines, Inc., | | | |
| 1.340% 03/02/49 (i) | 354,149 | | 331,129 |
| | | | ----- |
| Air Transportation Total | | | 1,288,129 |
| | | | ----- |

BROADCASTING - 3.1%

| | | | |
|------------------------------------|---------|--|-----------|
| CanWest Media, Inc., | | | |
| 10.625% 05/15/11 | 435,000 | | 487,200 |
| Granite Broadcasting Corp., | | | |
| 9.750% 12/01/10 (a) | 500,000 | | 477,500 |
| Sinclair Broadcast Group, Inc., | | | |
| 8.750% 12/15/11 | 250,000 | | 267,500 |
| Spanish Broadcasting System, Inc., | | | |
| 9.625% 11/01/09 | 80,000 | | 84,400 |
| TV Azteca SA de CV, | | | |
| 10.500% 02/15/07 | 745,000 | | 743,137 |
| XM Satellite Radio Holdings, Inc., | | | |
| 6.650% 05/01/09 (a) (i) | 250,000 | | 250,000 |
| | | | ----- |
| Broadcasting Total | | | 2,309,737 |
| | | | ----- |

CABLE - 6.7%

| | | | |
|--------------------------------------|-----------|--|-----------|
| Atlantic Broadband Finance LLC, | | | |
| 9.375% 01/15/14 (a) | 360,000 | | 334,800 |
| Cablevision Systems Corp., | | | |
| 5.670% 04/01/09 (a) (i) | 290,000 | | 295,800 |
| Charter Communications Holdings LLC: | | | |
| 9.920% 04/01/11 | 1,715,000 | | 1,402,013 |
| 10.250% 09/15/10 (a) | 190,000 | | 192,850 |
| CSC Holdings, Inc.: | | | |
| 6.750% 04/15/12 (a) | 265,000 | | 254,400 |
| 7.625% 04/01/11 | 20,000 | | 20,250 |

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| | | |
|---|---------|-----------|
| DirectTV Holdings LLC, 8.375% 03/15/13 | 300,000 | 333,000 |
| EchoStar DBS Corp., 6.375% 10/01/11 (a) | 400,000 | 390,000 |
| Insight Communications Co., Inc., (b) 02/15/11 (12.250% 02/15/06) | 415,000 | 365,200 |
| Insight Midwest LP, 9.750% 10/01/09 | 215,000 | 226,287 |
| Northland Cable Television, Inc., 10.250% 11/15/07 | 495,000 | 486,337 |
| NTL Cable PLC, 8.750% 04/15/14 (a) | 325,000 | 329,875 |
| Pegasus Satellite Communications, Inc., 11.250% 01/15/10 (a) (f) | 200,000 | 110,000 |
| Telenet Group Holdings NV, (b) 06/15/14 (11.500% 12/15/08) (a) | 400,000 | 246,000 |
| | | ----- |
| Cable Total | | 4,986,812 |
| | | ----- |

See notes to investment portfolio.

8

INVESTMENT PORTFOLIO (CONTINUED)

May 31, 2004 (Unaudited)

| CORPORATE FIXED-INCOME BONDS & NOTES (CONTINUED) | PAR | VALUE (\$) |
|--|---------|------------|
| ----- | | |
| TRANSPORTATION, COMMUNICATIONS, ELECTRIC, GAS & SANITARY SERVICES (CONTINUED) | | |
| ELECTRIC, GAS & SANITARY SERVICES - 1.9% | | |
| Allied Waste North America, Inc.: | | |
| 6.500% 11/15/10 (a) USD | 670,000 | 648,225 |
| 8.500% 12/01/08 | 505,000 | 545,400 |
| Waste Services, Inc., 9.500% 04/15/14 (a) | 225,000 | 226,687 |
| | | ----- |
| Electric, Gas & Sanitary Services Total | | 1,420,312 |
| | | ----- |
| ELECTRIC SERVICES - 2.4% | | |
| Beaver Valley Funding Corp., 9.000% 06/01/17 | | |
| | 355,000 | 401,150 |
| CMS Energy Corp., 8.900% 07/15/08 | | |
| | 420,000 | 439,950 |
| Illinois Power Co., 11.500% 12/15/10 | | |
| | 275,000 | 323,812 |
| Nevada Power Co.: | | |
| 9.000% 08/15/13 (a) | 185,000 | 200,031 |
| 10.875% 10/15/09 | 340,000 | 382,500 |
| | | ----- |
| Electric Services Total | | 1,747,443 |

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| ----- | | |
|------------------------------------|---------|-----------|
| INDEPENDENT POWER PRODUCERS - 7.2% | | |
| AES Corp.: | | |
| 9.000% 05/15/15 (a) | 570,000 | 604,200 |
| 9.500% 06/01/09 | 455,000 | 473,200 |
| Caithness Coso Funding Corp., | | |
| 9.050% 12/15/09 | 502,200 | 542,376 |
| Calpine Canada Energy Finance ULC, | | |
| 8.500% 05/01/08 | 200,000 | 119,000 |
| Calpine Corp., | | |
| 8.500% 07/15/10 (a) | 365,000 | 305,688 |
| Calpine Generating Co. LLC: | | |
| 10.250% 04/01/11 (a) (i) | 375,000 | 330,000 |
| 11.500% 04/01/11 (a) | 415,000 | 356,900 |
| Dynergy Holdings, Inc.: | | |
| 6.875% 04/01/11 | 300,000 | 246,000 |
| 9.875% 07/15/10 (a) | 360,000 | 378,000 |
| Edison Mission Energy, | | |
| 9.875% 04/15/11 | 480,000 | 480,000 |
| MSW Energy Holdings LLC: | | |
| 7.375% 09/01/10 (a) | 170,000 | 167,450 |
| 8.500% 09/01/10 | 375,000 | 388,125 |
| NRG Energy, Inc., | | |
| 8.000% 12/15/13 (a) | 140,000 | 140,000 |
| Orion Power Holdings, Inc., | | |
| 12.000% 05/01/10 | 340,000 | 413,100 |
| PSE&G Energy Holdings, Inc., | | |
| 8.625% 02/15/08 | 395,000 | 424,625 |
| | | ----- |
| Independent Power Producers Total | | 5,368,664 |
| | | ----- |

| | | |
|----------------------------------|---------|---------|
| MARINE TRANSPORTATION - 1.7% | | |
| Ship Finance International Ltd., | | |
| 8.500% 12/15/13 (a) | 580,000 | 540,664 |

| | PAR | VALUE (\$) |
|-----------------------------|-------------|------------|
| ----- | | |
| Stena AB: | | |
| 7.500% 11/01/13 | USD 160,000 | 160,800 |
| 9.625% 12/01/12 | 355,000 | 401,150 |
| Teekay Shipping Corp., | | |
| 8.875% 07/15/11 | 150,000 | 164,250 |
| | | ----- |
| Marine Transportation Total | | 1,266,864 |
| | | ----- |

| | | |
|---------------------------|---------|---------|
| PIPELINES - 3.5% | | |
| Coastal Corp., | | |
| 7.750% 06/15/10 | 695,000 | 611,600 |
| Northwest Pipeline Corp., | | |
| 8.125% 03/01/10 | 130,000 | 139,588 |
| Sonat, Inc.: | | |
| 6.875% 06/01/05 | 215,000 | 215,537 |
| 7.625% 07/15/11 | 795,000 | 693,638 |
| Southern Natural Gas Co., | | |
| 8.875% 03/15/10 | 250,000 | 271,250 |
| Williams Companies, Inc., | | |

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| | | |
|--------------------------------------|---------|-----------|
| 8.125% 03/15/12 | 630,000 | 664,650 |
| | | ----- |
| Pipelines Total | | 2,596,263 |
| | | ----- |
| RADIOTELEPHONE COMMUNICATIONS - 7.6% | | |
| AirGate PCS, Inc., | | |
| 9.375% 09/01/09 | 68,700 | 67,326 |
| American Cellular Corp., | | |
| 10.000% 08/01/11 | 325,000 | 285,188 |
| American Towers, Inc., | | |
| 7.250% 12/01/11 | 230,000 | 228,850 |
| Dobson Communications Corp., | | |
| 8.875% 10/01/13 | 440,000 | 344,300 |
| Horizon PCS, Inc., | | |
| 13.750% 06/15/11 (f) | 415,000 | 145,250 |
| iPCS Escrow Co., | | |
| 11.500% 05/01/12 (a) | 170,000 | 172,550 |
| Nextel Communications, Inc., | | |
| 7.375% 08/01/15 | 500,000 | 505,000 |
| Nextel Partners, Inc., | | |
| 8.125% 07/01/11 | 610,000 | 625,250 |
| Rogers Cantel, Inc., | | |
| 9.750% 06/01/16 | 585,000 | 672,750 |
| Rural Cellular Corp., | | |
| 8.250% 03/15/12 (a) | 200,000 | 205,500 |
| SBA Communications Corp.: | | |
| (b) 12/15/11 | | |
| (9.750% 12/15/07) (a) | 140,000 | 102,550 |
| 10.250% 02/01/09 | 625,000 | 620,312 |
| SpectraSite, Inc., | | |
| 8.250% 05/15/10 | 280,000 | 289,800 |
| US Unwired, Inc., | | |
| (b) 11/01/09 | | |
| (13.375% 11/01/04) | 800,000 | 832,000 |
| Western Wireless Corp., | | |
| 9.250% 07/15/13% | 500,000 | 516,875 |
| | | ----- |
| Radiotelephone Communications Total | | 5,613,501 |
| | | ----- |

See notes to investment portfolio.

9

INVESTMENT PORTFOLIO (CONTINUED)

May 31, 2004 (Unaudited)

CORPORATE FIXED-INCOME

| BONDS & NOTES (CONTINUED) | PAR | VALUE (\$) |
|--|-------------|------------|
| ----- | | |
| TRANSPORTATION, COMMUNICATIONS, ELECTRIC, GAS & SANITARY SERVICES (CONTINUED) | | |
| RAILROAD - 0.8% | | |
| Kansas City Southern Railway Co., | | |
| 7.500% 06/15/09 | USD 215,000 | 217,150 |
| TFM SA de CV, | | |

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| | SHARES | VALUE (\$) |
|---|--------|---|
| ----- | | |
| TRANSPORTATION, COMMUNICATIONS, ELECTRIC, GAS & SANITARY SERVICES - 2.0% | | |
| CABLE - 0.5% | | |
| NTL, Inc. | 5,942 | 351,172 |
| Ono Finance PLC (g) (k) | 750 | -- |
| | | ----- |
| Cable Total | | 351,172 |
| | | ----- |
| ELECTRIC, GAS & SANITARY SERVICES - 0.1% | | |
| Allied Waste North America, Inc. | 7,250 | 96,135 |
| | | ----- |
| Electric, Gas & Sanitary Services Total | | 96,135 |
| | | ----- |
| INDEPENDENT POWER PRODUCERS - 0.1% | | |
| Dynegy Holdings, Inc., Class A | 23,000 | 100,970 |
| | | ----- |
| Independent Power Producers Total | | 100,970 |
| | | ----- |
| POLLUTION CONTROL - 0.9% | | |
| EnviroSource, Inc. (g) | 8,000 | 640,000 |
| Fairlane Management Corp. (g) (k) | 8,000 | -- |
| | | ----- |
| Pollution Control Total | | 640,000 |
| | | ----- |
| RADIOTELEPHONE COMMUNICATIONS - 0.4% | | |
| AirGate PCS, Inc. | 2,841 | 52,530 |
| Nextel Communications, Inc., Class A | 6,196 | 143,314 |
| SBA Communications Corp. | 23,590 | 91,057 |
| | | ----- |
| Radiotelephone Communications Total | | 286,901 |
| | | ----- |
| | | TRANSPORTATION, COMMUNICATIONS, ELECTRIC, GAS & SANITARY SERVICES TOTAL |
| | | 1,475,178 |
| | | ----- |
| TOTAL COMMON STOCKS | | |
| (cost of \$2,082,718) | | 1,820,629 |
| | | ----- |

| | | |
|--|-----|-----------|
| CONVERTIBLE BONDS - 2.2% | PAR | |
| ----- | | |
| MANUFACTURING - 1.3% | | |
| ELECTRONIC & ELECTRICAL EQUIPMENT - 1.3% | | |
| Nortel Networks Corp., | | |
| 4.250% 09/01/08 | USD | 1,040,000 |
| | | 952,931 |
| | | ----- |
| Electronic & Electrical Equipment Total | | 952,931 |
| | | ----- |

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| | | |
|------------------------------|-------|---------|
| ----- | | |
| MANUFACTURING - 0.7% | | |
| PRINTING & PUBLISHING - 0.7% | | |
| Hights Cross Communications | 2,734 | 133,966 |
| PriMedia, Inc., | | |
| 8.625% | 30 | 2,588 |
| 9.200% | 1,715 | 150,063 |
| 10.000% | 2,300 | 208,150 |
| | | ----- |
| Printing & Publishing Total | | 494,767 |
| | | ----- |
| MANUFACTURING TOTAL | | 494,767 |
| | | ----- |

| | | |
|---|-----|---------|
| ----- | | |
| TRANSPORTATION, COMMUNICATIONS, ELECTRIC, | | |
| GAS & SANITARY SERVICES - 0.6% | | |
| BROADCASTING - 0.6% | | |
| Spanish Broadcasting System, Inc., | | |
| 10.750% | 450 | 454,500 |
| | | ----- |
| Broadcasting Total | | 454,500 |
| | | ----- |
| TRANSPORTATION, | | |
| COMMUNICATIONS, ELECTRIC, | | |
| GAS & SANITARY SERVICES TOTAL | | 454,500 |
| | | ----- |

| | | |
|------------------------|--|-----------|
| TOTAL PREFERRED STOCKS | | |
| (cost of \$1,567,475) | | 1,544,567 |
| | | ----- |

| | | |
|------------------------------|-------|-------|
| WARRANTS - 0.1% (j) | UNITS | |
| ----- | | |
| MANUFACTURING - 0.0% | | |
| PRINTING & PUBLISHING - 0.0% | | |
| Hights Cross Communications, | | |
| Expires 12/10/11 (l) | 2 | -- |
| Expires 12/10/12 | 2,707 | 54 |
| | | ----- |
| Printing & Publishing Total | | 54 |
| | | ----- |
| MANUFACTURING TOTAL | | 54 |
| | | ----- |

| | | |
|---|-------|------------|
| | UNITS | VALUE (\$) |
| ----- | | |
| TRANSPORTATION, COMMUNICATIONS, ELECTRIC, | | |
| GAS & SANITARY SERVICES - 0.1% | | |
| BROADCASTING - 0.1% | | |
| XM Satellite Radio Holdings, Inc., | | |
| Expires 03/15/10 (a) | 600 | 30,000 |
| | | ----- |
| Broadcasting Total | | 30,000 |
| | | ----- |

| | | |
|---|-----|----|
| CABLE - 0.0% | | |
| Cable Satisfaction International, Inc., | | |
| Expires 03/01/05 (a) (g) (k) | 970 | -- |
| Ono Finance PLC, | | |

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| | | |
|---|---------------|---------------|
| Expires 05/31/09 (a) (g) (k) | 175 | -- |
| | | ----- |
| Cable Total | | -- |
| | | ----- |
| RADIOTELEPHONE COMMUNICATIONS - 0.0% | | |
| Horizon PCS, Inc., | | |
| Expires 10/01/10 (a) (f) (g) (k) | 665 | -- |
| UbiquiTel, Inc., | | |
| Expires 04/15/10 (a) (g) (k) | 525 | -- |
| | | ----- |
| Radiotelephone Communications Total | | -- |
| | | ----- |
| TELECOMMUNICATIONS - 0.0% | | |
| AT&T Canada, Inc., | | |
| Expires 08/15/07 (a) (g) (k) | 250 | -- |
| Carrier1 International SA, | | |
| Expires 02/19/09 (a) (f) (g) (k) | 347 | -- |
| Jazztel PLC, | | |
| Expires 07/15/10 (a) (g) (k) | 350 | -- |
| | | ----- |
| Telecommunications Total | | -- |
| | | ----- |
| TRANSPORTATION SERVICES - 0.0% | | |
| QDI LLC, | | |
| Expires 01/15/07 (a) (g) | 2,041 | 8,572 |
| | | ----- |
| Transportation Services Total | | 8,572 |
| | | ----- |
| TRANSPORTATION, COMMUNICATIONS, ELECTRIC, GAS & SANITARY SERVICES TOTAL | | |
| | | 38,572 |
| | | ----- |
| TOTAL WARRANTS | | |
| (cost of \$105,737) | | 38,626 |
| | | ----- |
| SHORT-TERM OBLIGATION - 6.8% PAR | | |
| ----- | | |
| Federal Home Loan Discount Note, | | |
| 0.880% 06/01/04 (m) | | |
| (cost of \$5,032,000) | USD 5,032,000 | 5,032,000 |
| | | ----- |
| TOTAL INVESTMENTS - 140.5% | | |
| (cost of \$105,439,014) (n) | | 104,532,733 |
| | | ----- |
| OTHER ASSETS & LIABILITIES, NET - (40.5)% | | |
| | | (30,114,162) |
| ----- | | |
| Net Assets - 100.0% | | \$ 74,418,571 |
| | | ===== |

See notes to investment portfolio.

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INVESTMENT PORTFOLIO (CONTINUED)

May 31, 2004 (Unaudited)

NOTES TO INVESTMENT PORTFOLIO:

-
- (a) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At May 31, 2004, these securities amounted to \$27,526,864, which represents 37.0% of net assets.
 - (b) Step bond. This security is currently accruing at zero. Shown parenthetically is the interest rate to be paid and the date the Fund will begin accruing at this rate.
 - (c) Zero coupon bond.
 - (d) The issuer has filed for bankruptcy protection under Chapter 11 and is in default of certain debt covenants, however, under the issuer's plan of reorganization, the issuer has guaranteed all interest due and therefore income is still being accrued. As of May 31, 2004, the value of this security represents 0.2% of net assets.
 - (e) Security purchased on a delayed delivery basis.
 - (f) The issuer has filed for bankruptcy protection under Chapter 11 and is in default of certain debt covenants. Income is not being accrued. As of May 31, 2004, the value of these securities amounted to \$978,209, which represents 1.3% of net assets.
 - (g) Represents fair value as determined in good faith under procedures approved by the Board of Trustees.
 - (h) This issuer is in default of certain debt covenants. Income is not being accrued. As of May 31, 2004, the value of this security represents 0.9% of net assets.
 - (i) Variable rate security. The interest rate shown reflects the rate as of May 31, 2004.
 - (j) Non-income producing security.
 - (k) Security has no value.
 - (l) Amount rounds to less than \$1.
 - (m) The rate shown represents the annualized yield at the date of purchase.
 - (n) Cost for federal income tax purposes is \$105,245,512.

As of May 31, 2004, the Fund had entered into the following forward currency exchange contracts:

| FORWARD CONTRACTS TO BUY | VALUE | AGGREGATE FACE VALUE | SETTLEMENT DATE | UNREALIZED APPRECIATION (DEPRECIATION) |
|-----------------------------|-----------|-------------------------|--------------------|--|
| EUR | \$164,866 | \$162,878 | 06/10/04 | \$ 1,988 |
| USD | 673,955 | 682,178 | 06/10/04 | (8,223) |
| | | | | ----- |
| | | | | \$(6,235) |
| | | | | ----- |

| ACRONYM | NAME |
|---------|----------------------|
| EUR | Euro Currency |
| PIK | Payment-In-Kind |
| USD | United States Dollar |

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See notes to financial statements.

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STATEMENT OF ASSETS AND LIABILITIES

May 31, 2004 (Unaudited)

ASSETS:

| | |
|--------------------------------------|---------------|
| Investments, at cost | \$105,439,014 |
| | ----- |
| Investments, at value | \$104,532,733 |
| Receivable for: | |
| Investments sold | 529,499 |
| Interest | 2,182,394 |
| Dividends | 11,677 |
| Deferred Trustees' compensation plan | 7,616 |
| Other assets | 20,693 |
| | ----- |
| Total Assets | 107,284,612 |
| | ----- |

LIABILITIES:

| | |
|---|------------|
| Payable to custodian bank | 878,839 |
| Net unrealized depreciation on foreign forward currency contracts | 6,235 |
| Payable for: | |
| Interest | 231,846 |
| Investments purchased | 966,158 |
| Investments purchased on a delayed delivery basis | 681,060 |
| Distributions | 504,084 |
| Investment advisory fee | 54,746 |
| Custody fee | 689 |
| Audit fee | 20,114 |
| Legal fee | 14,654 |
| Deferred Trustees' fees | 7,616 |
| Notes payable - short-term | 15,800,000 |
| Notes payable - long-term | 13,700,000 |
| | ----- |
| Total Liabilities | 32,866,041 |
| | ----- |

| | |
|------------|---------------|
| NET ASSETS | \$ 74,418,571 |
| | ===== |

COMPOSITION OF NET ASSETS:

| | |
|---------------------------------------|---------------|
| Paid-in capital | \$141,303,722 |
| Overdistributed net investment income | (315,285) |
| Accumulated net realized loss | (65,657,350) |
| Net unrealized depreciation on: | |
| Investments | (906,281) |
| Foreign currency translations | (6,235) |
| | ----- |

| | |
|------------|---------------|
| NET ASSETS | \$ 74,418,571 |
| | ===== |

| | |
|--------------------|------------|
| Shares outstanding | 21,003,496 |
| | ----- |

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| | | |
|---------------------------|----|-------|
| Net asset value per share | \$ | 3.54 |
| | | ===== |

STATEMENT OF OPERATIONS

For the Six Months Ended May 31, 2004 (Unaudited)

INVESTMENT INCOME:

| | | |
|-------------------------|----|-----------|
| Interest | \$ | 4,421,334 |
| Dividends | | 181,781 |
| | | ----- |
| Total Investment Income | | 4,603,115 |
| | | ----- |

EXPENSES:

| | | |
|------------------------------|--|-----------|
| Investment advisory fee | | 401,454 |
| Pricing and bookkeeping fees | | 30,617 |
| Trustees' fees | | 3,508 |
| Custody fee | | 7,732 |
| Other expenses | | 101,090 |
| | | ----- |
| Total Operating Expenses | | 544,401 |
| Custody earnings credit | | (374) |
| | | ----- |
| Net Operating Expenses | | 544,027 |
| Interest expense | | 490,179 |
| | | ----- |
| Net Expenses | | 1,034,206 |
| | | ----- |
| Net Investment Income | | 3,568,909 |
| | | ----- |

NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FOREIGN CURRENCY:

| | | |
|--|----|-----------|
| Net realized gain (loss) on: | | |
| Investments | | 154,870 |
| Foreign currency transactions | | (11,072) |
| | | ----- |
| Net realized gain | | 143,798 |
| | | ----- |
| Net change in unrealized appreciation/depreciation on: | | |
| Investments | | (986,452) |
| Foreign currency translations | | 16,285 |
| | | ----- |
| Net change in unrealized appreciation/depreciation | | (970,167) |
| | | ----- |
| Net Loss | | (826,369) |
| | | ----- |
| Net Increase in Net Assets from Operations | \$ | 2,742,540 |
| | | ----- |

See notes to financial statements.

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STATEMENTS OF CHANGES IN NET ASSETS

| | (UNAUDITED) SIX MONTHS ENDED MAY 31, 2004 | ONE NOVEMBER 2004 |
|--|---|-------------------------|
| INCREASE (DECREASE) IN NET ASSETS: | | |
| ----- | | |
| OPERATIONS: | | |
| Net investment income | \$ 3,568,909 | \$ |
| Net realized gain (loss) on investments and foreign currency transactions | 143,798 | |
| Net change in unrealized appreciation/depreciation on investments and foreign currency translations | (970,167) | |
| | ----- | ----- |
| Net Increase from Operations | 2,742,540 | |
| | ----- | ----- |
| DISTRIBUTIONS DECLARED TO SHAREHOLDERS: | | |
| From net investment income | (3,338,194) | |
| Return of capital | -- | |
| | ----- | ----- |
| Total Distributions Declared to Shareholders | (3,338,194) | |
| | ----- | ----- |
| SHARE TRANSACTIONS: | | |
| Distributions reinvested | 62,227 | |
| | ----- | ----- |
| Total Increase (Decrease) in Net Assets | (533,427) | |
| NET ASSETS: | | |
| Beginning of period | 74,951,998 | 7 |
| | ----- | ----- |
| End of period | \$ 74,418,571 | \$ 7 |
| | ----- | ----- |
| Overdistributed net investment income, at end of period | \$ (315,285) | \$ |
| | ----- | ----- |
| CHANGES IN SHARES: | | |
| Issued for distributions reinvested | 16,818 | |
| | ----- | ----- |

(a) The Fund changed its fiscal year end from October 31 to November 30.

See notes to financial statements.

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STATEMENT OF CASH FLOWS

For the Six Months Ended May 31, 2004 (Unaudited)

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INCREASE (DECREASE) IN CASH

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|--|--------------|
| Net investment income | \$ 3,568,909 |
| Adjustments to reconcile net investment income to net cash provided by operating activities: | |
| Purchase of investment securities | (43,192,193) |
| Proceeds from disposition of investment securities | 43,550,476 |
| Purchase of short-term investments, net | (2,970,148) |
| Net realized loss due to foreign currency transactions | (11,072) |
| Increase in dividend and interest receivable | (133,643) |
| Increase in other assets | (16,505) |
| Decrease in receivable for investments sold | 349,056 |
| Increase in payable for investments purchased | 55,666 |
| Decrease in accrued expenses and other liabilities | (12,576) |
| Net amortization/accretion of income | (379,355) |

| | |
|---|---------|
| Net cash provided by operating activities | 808,615 |
|---|---------|

CASH FLOWS FROM FINANCING ACTIVITIES:

| | |
|------------------------------|-------------|
| Increase in notes payable | 1,000,000 |
| Decrease in interest payable | (26,694) |
| Distributions paid in cash | (3,338,523) |

| | |
|---------------------------------------|-------------|
| Net cash used by financing activities | (2,365,217) |
|---------------------------------------|-------------|

| | |
|----------------------|-------------|
| Net decrease in cash | (1,556,602) |
|----------------------|-------------|

CASH:

| | |
|---------------------|--------------|
| Beginning of period | 677,763 |
| End of period | \$ (878,839) |

Supplemental disclosure of cash flow information:

Non-cash financing activities not included herein consist of reinvestment of distributions of \$62,227.

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS

May 31, 2004 (Unaudited)

NOTE 1. ORGANIZATION

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

INVESTMENT GOAL

The Fund seeks high current income and total return by investing primarily in high yield fixed income securities in lower-rated categories.

FUND SHARES

The Fund may issue an unlimited number of shares.

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 a pricing service 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.

Equity securities are valued at the last sale price on the principal exchange on which they trade, except for securities traded on the NASDAQ, which are valued at the NASDAQ official close price. Unlisted securities or listed securities for which there were no sales during the day are valued at the closing bid price on such exchanges or over-the-counter markets.

Short-term debt obligations maturing within 60 days are valued at amortized cost, which approximates market value. Forward currency exchange contracts are valued at the prevailing forward exchange rate of the underlying currencies.

Foreign securities are generally valued at the last sale price on the foreign exchange or market on which they trade. If any foreign share prices are not readily available as a result of limited share activity, the securities are valued at the last sale price of the local shares in the principal market in which such securities are normally traded.

Generally, trading in foreign securities is substantially completed each day at various times prior to the close of the New York Stock Exchange ("NYSE"). The values of such securities used in computing the net asset value of the Fund's shares are determined as of such times. Foreign currency exchange rates are generally determined at 2:00 p.m. Eastern (U.S.) time. Occasionally, events affecting the values of such foreign securities and such exchange rates may occur between the times at which they are determined and the close of the customary trading session of the NYSE, which would not be reflected in the computation of the Fund's net asset value. If events materially affecting the

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values of such foreign securities occur and it is determined that market quotations are not reliable, then these foreign securities will be valued at their fair value using procedures approved by the Board of Trustees.

Investments for which market quotations are not readily available, or quotations which management believes are not appropriate, are valued at fair value under procedures approved by the Board of Trustees.

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.

FORWARD FOREIGN CURRENCY EXCHANGE CONTRACTS

Forward foreign currency exchange contracts are agreements to exchange one currency for another at a future date at a specified price. These contracts are used to minimize the exposure to foreign exchange rate fluctuations during the period between trade and settlement date of the contracts. The Fund may utilize forward foreign currency exchange contracts in connection with the settlement of purchases and sales of securities. The Fund may also enter into these contracts to hedge certain other foreign currency denominated assets. Contracts to buy generally are used to acquire exposure to foreign currencies, while contracts to sell are used to hedge the Fund's investments against currency fluctuations. Forward currency contracts are valued daily at the forward exchange rate of the underlying currency, resulting in unrealized gains (losses) which become realized at the time the foreign currency contracts are closed or mature. Realized and unrealized gains (losses) arising from such transactions are included in net realized and unrealized gains (losses) on foreign currency

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

May 31, 2004 (Unaudited)

transactions. The use of forward currency contracts does not eliminate fluctuations in the prices of the Fund's portfolio securities. While the maximum potential loss from such contracts is the aggregate face value in U.S. dollars at the time the contract was opened, exposure is typically limited to the change in value of the contract (in U.S. dollars) over the period it remains open. The Fund could also be exposed to risk if the counterparties of the contracts are unable to fulfill the terms of the contracts.

DELAYED DELIVERY SECURITIES

The Fund may trade securities on other than normal settlement terms, including securities purchased or sold on a "when-issued" basis. This may increase the risk if the other party to the transaction fails to deliver and causes the Fund to subsequently invest at less advantageous prices. The Fund identifies cash or liquid portfolio securities as segregated with the custodian in an amount equal to the delayed delivery commitment.

INCOME RECOGNITION

Interest income is recorded on the accrual basis. Premium and discount are amortized and accreted, respectively, on all debt securities. Corporate actions and dividend income are recorded on the ex-date, except for certain foreign securities which are recorded as soon after ex-date as the Fund becomes aware of such, net of non-reclaimable tax withholdings. The value of additional securities received as an income payment is recorded as income and as the cost basis of such securities.

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FOREIGN CURRENCY TRANSACTIONS

The values of all assets and liabilities quoted in foreign currencies are translated into U.S. dollars at that day's exchange rates. Net realized and unrealized gains (losses) on foreign currency transactions include gains (losses) arising from the fluctuation in exchange rates between trade and settlement dates on securities transactions, gains (losses) arising from the disposition of foreign currency and currency gains (losses) between the accrual and payment dates on dividends, interest income and foreign withholding taxes.

For financial statement purposes, the Fund does not distinguish that portion of gains (losses) on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included with the net realized and unrealized gains (losses) on investments.

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 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 shareholders are recorded on ex-date. Net realized capital gains, if any, are distributed at least annually.

STATEMENT OF CASH FLOWS

Information on financial transactions that have been settled through the receipt or disbursement of cash is presented on the Statement of Cash Flows. The cash amount shown on the Statement of Cash Flows is the amount included within the Fund's Statement of Assets and Liabilities and includes cash on hand at its custodian bank and does not include any short-term investments.

NOTE 3. FEDERAL TAX INFORMATION

The tax character of distributions paid during the one month ended November 30, 2003 and the year ended October 31, 2003 was as follows:

| | NOVEMBER 30, 2003 | OCTOBER 31, 2003 |
|--------------------------|----------------------|---------------------|
| | ----- | ----- |
| Distributions paid from: | | |
| Ordinary Income* | \$566,640 | \$6,335,103 |
| Tax Return of Capital | -- | 439,949 |
| Long-Term Capital Gains | -- | -- |

* For tax purposes short-term capital gains distributions, if any, are considered ordinary income distributions.

Unrealized appreciation and depreciation at May 31, 2004, based on cost of investments for federal income tax purposes, and excluding any unrealized appreciation and depreciation from changes in the value of assets and liabilities resulting from changes in exchange rates, was:

| | |
|-----------------------------|--------------|
| Unrealized appreciation | \$ 5,056,218 |
| Unrealized depreciation | (5,768,997) |
| | ----- |
| Net unrealized depreciation | \$ (712,779) |
| | ===== |

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The following capital loss carryforwards, determined as of November 30, 2003, 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 |
|-----------------------|------------------------------|
| 2006 | \$ 3,034,960 |
| 2007 | 10,437,671 |
| 2008 | 22,694,029 |
| 2009 | 23,203,433 |
| 2010 | 6,431,055 |
| | ----- |
| | \$65,801,148 |
| | ===== |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

May 31, 2004 (Unaudited)

NOTE 4. FEES AND COMPENSATION PAID TO AFFILIATES

Columbia Management Advisors, Inc. ("Columbia") is the investment advisor to the Fund. Prior to April 1, 2004, Columbia was an indirect, wholly owned subsidiary of FleetBoston Financial Corporation ("FleetBoston"). Effective April 1, 2004, FleetBoston, including the Fund's investment advisor, was acquired by Bank of America Corporation ("BOA"). The acquisition did not change the way the Fund is managed, the investment personnel assigned to manage the Fund or the fees paid by the Fund.

INVESTMENT ADVISORY FEE

Columbia provides administrative and other services to the Fund in addition to investment advisory services. Columbia receives a monthly investment advisory fee at the annual rate of 0.65% of the Fund's average weekly net assets.

In addition, the Fund shall pay Columbia a monthly fee of 20% of the Fund's monthly "leverage income" (as that term is defined in the management contract). In the event that the Fund's monthly leverage income is less than zero, then Columbia shall pay the Fund 20% of the Fund's monthly leverage income. For the six months ended May 31, 2004, the Fund paid fees of \$150,349 to Columbia under this agreement, which represents 0.39% annually of the Fund's average daily net assets.

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, Columbia pays the total fees received to State Street under the Outsourcing Agreement.

Under its pricing and bookkeeping agreement with the Fund, Columbia receives from the Fund an annual flat fee of \$10,000 paid monthly, and in any month that the Fund's average weekly net assets exceed \$50 million, an additional monthly fee. The additional fee rate is calculated by taking into account the fees payable to State Street under the Outsourcing Agreement. This rate is applied to

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the average weekly net assets of the Fund for that month. The Fund also pays additional fees for pricing services based on the number of securities held by the Fund. For the six months ended May 31, 2004, the Fund's annualized effective pricing and bookkeeping fee rate was 0.080%.

CUSTODY CREDITS

The Fund has an agreement with its custodian bank under which custody fees may be reduced by balance credits. 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.

FEEES PAID TO OFFICERS AND TRUSTEES

The Fund pays no compensation to its officers, all of whom are employees of Columbia or its affiliates.

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 six months ended May 31, 2004, the Fund paid \$699 to Columbia for such services. This amount is included in "Other expenses" on the Statement of Operation.

NOTE 5. PORTFOLIO INFORMATION

For the six months ended May 31, 2004, the cost of purchases and proceeds from sales of securities, excluding short-term obligations, were \$43,192,193 and \$43,550,476, respectively.

NOTE 6. LOAN AGREEMENT

At May 31, 2004, the Fund had term loans and a revolving loan outstanding with BOA, totaling \$29,500,000. The term loans are comprised of a \$13,700,000 loan which bears interest at 3.12% per annum, due August 26, 2005 and a \$9,700,000 loan which bears interest at 4.37% per annum, due June 13, 2004. The revolving loan is a \$6,100,000 floating rate loan which had a weighted average interest rate of 1.94% at May 31, 2004. At May 31, 2004, the average daily loan balance was \$29,215,847 at a weighted average interest rate of 3.30%. The Fund is subject to certain covenants including, but not limited to, requirements with respect to asset coverage, portfolio diversification and liquidity.

NOTE 7. DISCLOSURE OF SIGNIFICANT RISKS AND CONTINGENCIES

FOREIGN SECURITIES

There are certain additional risks involved when investing in foreign securities that are not inherent with investments in domestic securities. These risks may involve foreign currency exchange rate fluctuations, adverse political and economic developments and the possible prevention of currency exchange or other foreign governmental laws or restrictions. In addition, the liquidity of foreign securities may be more limited than that of domestic securities.

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

May 31, 2004 (Unaudited)

rates would likely have an adverse impact on the value of such obligations. Moreover, high-yield securities may be less liquid to the extent there is no established secondary market.

INDUSTRY FOCUS

The Fund may focus its investments in certain industries, subjecting it to greater risk than a fund that is more diversified.

LEGAL PROCEEDINGS

Columbia and Columbia Funds Distributor, Inc. ("CFDI"), and certain of their affiliates (collectively, "the Columbia Group") have received information requests and subpoenas from various regulatory and law enforcement authorities in connection with their investigations of late trading and market timing in mutual funds, as well as other industry wide issues. The Columbia Group has not uncovered any instances where Columbia or CFDI were knowingly involved in late trading of mutual fund shares.

On February 24, 2004, the Securities and Exchange Commission ("SEC") filed a civil complaint in the United States District Court for the District of Massachusetts against Columbia and CFDI, alleging that they had violated certain provisions of the federal securities laws in connection with trading activity in mutual fund shares. Also on February 24, 2004, the New York Attorney General ("NYAG") filed a civil complaint in New York Supreme Court, County of New York against Columbia and CFDI alleging that Columbia and CFDI had violated certain New York anti-fraud statutes. If either Columbia or CFDI is unsuccessful in its defense of these proceedings, it could be barred from serving as an investment advisor or distributor for any investment company registered under the Investment Company Act of 1940, as amended (a "registered investment company"). Such results could prevent Columbia, CFDI or any company that is an affiliated person of Columbia and CFDI from serving as an investment advisor or distributor for any registered investment company, including your fund. Your fund has been informed by Columbia and CFDI that, if these results occur, they will seek exemptive relief from the SEC to permit them to continue to serve as your fund's investment advisor and distributor. There is no assurance that such exemptive relief will be granted. On March 15, 2004, Columbia and CFDI entered into agreements in principle with the SEC Division of Enforcement and NYAG in settlement of the charges. Under the agreements, Columbia and CFDI agreed, among other things, to the following conditions: payment of \$70 million in disgorgement; payment of \$70 million in civil penalties; an order requiring Columbia and CFDI to cease and desist from violations of the antifraud provisions and other provisions of the federal securities laws; governance changes designed to maintain the independence of the mutual fund boards of trustees and ensure compliance with securities laws and their fiduciary duties; and retention of an independent consultant to review Columbia's and CFDI's compliance policies and procedures. The agreement requires the final approval of the SEC. In a separate agreement with the NYAG, the Columbia Group has agreed to reduce mutual fund fees by \$80 million over a five-year period.

As a result of these matters or any adverse publicity or other developments resulting from them, there may be increased redemptions or reduced sales of fund shares, which could increase transaction costs or operating expenses, or have other adverse consequences for the funds.

In connection with the events described in detail above, various parties have filed suit against certain funds, their Boards and/or FleetBoston (and

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affiliated entities). These suits and certain regulatory investigations are ongoing. Accordingly, an estimate of the financial impact of this litigation on any fund, if any, cannot currently be made.

NOTE 8. COMPARABILITY OF FINANCIAL STATEMENTS

The fiscal year end of the Fund was changed from October 31 to November 30. Accordingly, the Fund's 2004 fiscal year end will be November 30, 2004.

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FINANCIAL HIGHLIGHTS

Selected data for a share outstanding throughout each period is as follows:

| | (UNAUDITED) | | | |
|---|--|--|---------------|--------------|
| | SIX MONTHS ENDED MAY 31, 2004 | ONE MONTH ENDED NOVEMBER 30, 2003 (a) | ----- 2003 | YEAR 2002 |
| NET ASSET VALUE, BEGINNING OF PERIOD | \$ 3.57 | \$ 3.51 | \$ 2.79 | \$ |
| INCOME FROM INVESTMENT OPERATIONS: | | | | |
| Net investment income | 0.17 (b) | 0.02 (b) | 0.29 (b) | |
| Net realized and unrealized gain (loss) on investments and foreign currency | (0.04) | 0.07 | 0.75 | |
| Total from Investment Operations | 0.13 | 0.09 | 1.04 | |
| LESS DISTRIBUTIONS DECLARED TO SHAREHOLDERS: | | | | |
| From net investment income | (0.16) | (0.03) | (0.30) | (|
| In excess of net investment income | -- | -- | -- | |
| Return of capital | -- | -- | (0.02) | (|
| Total Distributions Declared to Shareholders | (0.16) | (0.03) | (0.32) | (|
| NET ASSET VALUE, END OF PERIOD | \$ 3.54 | \$ 3.57 | \$ 3.51 | \$ |
| Market price per share | \$ 3.22 | \$ 3.50 | \$ 3.65 | \$ |
| Total return-- based on market value (d) | (3.81)% (e) | (3.40)% (e) | 44.56% | (1 |
| RATIOS TO AVERAGE NET ASSETS/ SUPPLEMENTAL DATA: | | | | |
| Operating expenses (f) | 1.41% (g) | 1.63% (g) | 1.35% | |
| Interest and amortization of deferred debt issuance expenses | 1.27% (g) | 1.38% (g) | 2.00% | |
| Total expenses (f) | 2.68% (g) | 3.01% (g) | 3.35% | |
| Net investment income (f) | 9.27% (g) | 7.82% (g) | 9.18% | |
| Portfolio turnover rate | 42% (e) | 7% (e) | 64% | |
| Net assets, end of period (000's) | \$ 74,419 | \$ 74,952 | \$ 73,623 | \$ 58 |

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- (a) The Fund changed its fiscal year end from October 31 to November 30.
- (b) Per share data was calculated using average shares outstanding during the period.
- (c) Effective November 1, 2001, the Fund adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing premium and accreting discount on all debt securities. The effect of this change for the year ended October 31, 2002 was to increase the net investment income per share by \$0.02, increase the net realized and unrealized loss per share by \$0.02 and increase the ratio of net investment income to average net assets from 10.92% to 11.38%. Per share data and ratios for periods prior to October 31, 2002 have not been restated to reflect this change in presentation.
- (d) Total return at market value assuming all distributions reinvested at prices calculated in accordance with the Dividend Reinvestment Plan.
- (e) Not annualized.
- (f) The benefits derived from custody credits and directed brokerage arrangements, if applicable, had an impact of less than 0.01%.
- (g) Annualized.

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FINANCIAL HIGHLIGHTS (CONTINUED)

Selected data for a share outstanding throughout each period is as follows:

| | YEAR ENDED OCTOBER 31 | | | |
|---|-----------------------|---------|---------|---------|
| | 1999 | 1998 | 1997 | 1996 |
| NET ASSET VALUE, BEGINNING OF PERIOD | \$ 6.20 | \$ 7.27 | \$ 6.89 | \$ 6.89 |
| INCOME FROM INVESTMENT OPERATIONS: | | | | |
| Net investment income | 0.70 | 0.70 | 0.70 | 0.70 |
| Net realized and unrealized gain (loss) on investments and foreign currency | (0.23) | (1.08) | 0.38 | 0.38 |
| Total from Investment Operations | 0.47 | (0.38) | 1.08 | 1.08 |
| LESS DISTRIBUTIONS DECLARED TO SHAREHOLDERS: | | | | |
| From net investment income | (0.70) | (0.69) | (0.70) | (0.70) |
| NET ASSET VALUE, END OF PERIOD | \$ 5.97 | \$ 6.20 | \$ 7.27 | \$ 7.27 |
| Market price per share | \$ 5.63 | \$ 6.81 | \$ 7.56 | \$ 7.56 |
| Total return--based on market value (a) | (7.89)% | (0.74)% | 16.97% | 16.97% |
| RATIOS TO AVERAGE NET ASSETS/SUPPLEMENTAL DATA: | | | | |
| Operating expenses (b) | 0.89% | 0.88% | 0.89% | 0.89% |
| Interest and amortization of deferred debt issuance expenses | 2.48% | 2.11% | 1.96% | 1.96% |
| Total expenses (b) | 3.37% | 2.99% | 2.85% | 2.85% |
| Net investment income (b) | 10.82% | 9.70% | 9.63% | 9.63% |

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| | | | |
|-----------------------------------|------------|------------|-----------|
| Portfolio turnover rate | 44% | 69% | 92% |
| Net assets, end of period (000's) | \$ 121,018 | \$ 124,480 | \$107,774 |

(a) Total return at market value assuming all distributions reinvested at prices calculated in accordance with the Dividend Reinvestment Plan.

(b) The benefits derived from custody credits and directed brokerage arrangements, if applicable, had an impact of less than 0.01%, except for the year ended October 31, 1997 which had a 0.01% impact.

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FINANCIAL HIGHLIGHTS (CONTINUED)

LOAN AGREEMENT ASSET COVERAGE REQUIREMENTS

| DATE | TOTAL AMOUNT OUTSTANDING | ASSET COVERAGE PER \$1,000 OF INDEBTEDNESS |
|-----------|-----------------------------|--|
| ----- | ----- | ----- |
| 05/31/04* | \$29,500,000 | \$3,523 |
| 11/30/03 | 28,500,000 | 3,631 |
| 10/31/03 | 28,500,000 | 3,583 |
| 10/31/02 | 24,500,000 | 3,373 |
| 10/31/01 | 30,500,000 | 3,372 |
| 10/31/00 | 47,300,000 | 3,079 |
| 10/31/99 | 47,300,000 | 3,558 |
| 10/31/98 | 47,300,000 | 3,632 |
| 10/31/97 | 27,400,000 | 4,933 |
| 10/31/96 | 27,400,000 | 4,647 |
| 10/31/95 | 27,400,000 | 4,430 |
| 10/31/94 | 27,400,000 | 4,194 |

* Unaudited.

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SHAREHOLDER MEETING RESULTS

RESULTS OF THE ANNUAL MEETING OF SHAREHOLDERS

On May 26, 2004, the Annual Meeting of Shareholders of the Fund was held to conduct a vote for or against the approval of the following Item listed on the Fund's Proxy Statement for said Meeting. On March 10, 2004, the record date for the Meeting, the Fund had 20,986,678 shares outstanding. The votes cast were as follows:

PROPOSAL 1:

| ELECTION OF TRUSTEES: | FOR | WITHHELD |
|-----------------------|------------|----------|
| ----- | ----- | ----- |
| Patrick J. Simpson | 18,828,324 | 458,126 |
| Thomas E. Stitzel | 18,821,324 | 465,126 |
| Thomas C. Theobald | 18,812,339 | 474,110 |
| Anne-Lee Verville | 18,822,044 | 464,405 |
| Richard L. Woolworth | 18,829,085 | 457,364 |

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DIVIDEND REINVESTMENT PLAN

The Fund generally distributes net investment income monthly and capital gains annually. Under the Fund's Dividend Reinvestment Plan (the "Plan") all distributions will be reinvested automatically in additional shares of the Fund, unless the shareholder elects to receive cash or the shares are held in broker or nominee name and a reinvestment service is not provided by the broker or nominee. All cash distributions will be mailed by check directly to the record holder by the dividend paying agent.

If the market price of the shares on the distribution payment date is equal to or greater than the net asset value, Plan participants will be issued shares at the higher of net asset value or 95% of the market price. The aggregate market value of the shares may constitute income to shareholders for federal income tax purposes. However, if the market price of the shares is less than the net asset value, shares will be bought as soon as practicable (but no more than 30 days after the distribution, except as may be required to comply with federal securities laws) in the open market for the accounts of Plan participants. If, during this purchase period, the market price surpasses the net asset value, the average per share price paid may exceed the asset value of the shares, resulting in the acquisition of fewer shares than if the distribution had been in newly-issued shares.

All Plan accounts receive written confirmations of all transactions. Shares purchased under the Plan are held in uncertificated form. Each shareholder's proxy includes shares purchased pursuant to the Plan. The automatic reinvestment of distributions does not relieve participants of any income tax payable on the distributions.

Fees and expenses of the Plan other than brokerage charges will be paid by the Fund. No brokerage charges are incurred on shares issued directly by the Fund. Participants will bear a pro-rata share of brokerage charges incurred on open market purchases.

A Plan participant may terminate his or her participation by written notice to the Plan agent. The Plan may be amended or terminated on 90 days written notice to the Plan participants. All correspondence concerning the Plan should be directed to PFPC, Inc., the Plan agent, by mail at P.O. Box 43027, Providence, RI 02940-3027 or by phone at 1-800-730-6001.

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TRANSFER AGENT

IMPORTANT INFORMATION ABOUT THIS REPORT

The Transfer Agent for Colonial Intermediate High Income Fund is:

PFPC, Inc.
P.O. Box 8030
Boston, MA 02266-8030

The fund mails one shareholder report to each shareholder address. Shareholders

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can order additional reports by calling 800-730-6001. In addition, representatives at that number can provide shareholders information about the fund.

Financial advisors who want additional information about the fund may speak to a representative at 800-426-3750.

A description of the policies and procedures that the fund uses to determine how to vote proxies relating to its portfolio securities is available (i) without charge, upon request, by calling 800-730-6001 and (ii) on the Securities and Exchange Commission website at <http://www.sec.gov>.

This report has been prepared for shareholders of Colonial Intermediate High Income Fund.

COLONIAL INTERMEDIATE HIGH INCOME FUND

SEMIANNUAL REPORT

110-03/054S-0504 (07/04) 04/1522

ITEM 2. CODE OF ETHICS.

Not applicable at this time.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable at this time.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable at this time.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable at this time.

ITEM 6. SCHEDULE OF INVESTMENTS

Not applicable at this time.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable at this time.

ITEM 8. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not applicable at this time.

ITEM 9. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There have not been any material changes to the procedures by which shareholders may recommend nominees to the registrant's Board of Trustees/Directors since those procedures were last disclosed in response to Item 7(d)(2)(ii)(G) of Schedule 14A.

ITEM 10. CONTROLS AND PROCEDURES.

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- (a) The registrant's principal executive officer and principal financial officer, based on his evaluation of the registrant's disclosure controls and procedures as of a date within 90 days of the filing of this report, has concluded that such controls and procedures are adequately designed to ensure that information required to be disclosed by the registrant in Form N-CSR is accumulated and communicated to the registrant's management, including the principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.
- (b) There were no changes in the registrant's internal control over financial reporting that occurred during the registrant's last fiscal half-year (the registrant's second fiscal half-year in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 11. EXHIBITS.

(a)(1) Code of ethics required to be disclosed under Item 2 of Form N-CSR: Not applicable at this time.

(a)(2) Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 (17 CFR 270.30a-2(a)) attached hereto as Exhibit 99.CERT.

(a)(3) Not applicable at this time.

(b) Certification pursuant to Rule 30a-2(b) under the Investment Company Act of 1940 (17 CFR 270.30a-2(b)) attached hereto as Exhibit 99.906CERT.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(registrant) Colonial Intermediate High Income Fund

By (Signature and Title) /s/ J. Kevin Connaughton

J. Kevin Connaughton, President and Treasurer

Date August 3, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title) /s/ J. Kevin Connaughton

J. Kevin Connaughton, President and Treasurer

Date August 3, 2004

