



## COLONIAL GROUP OF MUTUAL FUNDS

75 FEDERAL STREET  
BOSTON, MASSACHUSETTS 02110  
(617) 426-3750

|                             |
|-----------------------------|
| January 13, 1984            |
| Act <u>ICA-40</u>           |
| Section <u>18(f)</u>        |
| Availability <u>6/15/84</u> |

Stanley B. Judd, Deputy Chief Counsel  
Division of Investment Management  
Securities and Exchange Commission  
Judiciary Plaza  
450 Fifth Street, N.W.  
Washington, DC 20549

Re: Colonial Government Securities Plus Trust  
File No. 2-87530  
Interest Rate Futures Contracts and  
Options on Interest Rate Futures Contracts

Dear Mr. Judd:

Colonial Government Securities Plus Trust (the "Trust") is a diversified open-end management type investment company which was established as a Massachusetts business trust under the laws of Massachusetts by an Agreement and Declaration of Trust dated October 7, 1983, as amended and restated November 10, 1983. The Trust has filed pre-effective Amendment No. 1 to its 1933 Act and 1940 Act registration statements, reflecting staff comments and other revisions of its Prospectus. Three copies of such Prospectus are enclosed. The Prospectus provides that the Trust may not engage in interest rate futures contracts and related options transactions until it obtains a no-action letter or other appropriate regulatory relief under the Investment Company Act of 1940 (the "Act") (pages 1,5,26). The Trust currently has net assets of \$102,608.

The Trust is seeking an opinion from the Commodity Futures Trading Commission ("CFTC") that the Trust is not a "pool" under Section 4.10(d) of the CFTC's Regulations and that the Trust will not be a "commodity pool operator" as defined in Section 2(a)(1)(A) of the Commodities Exchange Act ("CEA").

The Trust's investment objective is to seek a high current return. The Trust is permitted to hedge its portfolio, which is comprised of U.S. Government securities, against interest rate changes through the use of financial futures contracts and related

Stanley B. Judd, Deputy  
Chief Counsel  
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options. The Trust is advised by Colonial Management Associates, Inc. (the "Adviser"). Colonial Investment Services, Inc. is the Trust's Distributor of shares. Financial futures contracts and related options, and the commodities exchanges on which they are traded, are subject to regulation by the CFTC under the CEA.

No consideration is paid or received by the Trust upon the purchase or sale of a financial futures contract or upon the sale of a related put or call option. Initially, the Trust will be required to deposit, for the account and in the name of the broker, in a segregated account with The First National Bank of Boston, its Custodian, or with a broker an amount of cash or United States Treasury bills equal to approximately 1 1/2% of the futures contract amount or upon the sale of a related put or call option, the amount of the option premium plus a specific dollar amount for each written put or call option. This amount is known as initial margin. The nature of initial margin in futures transactions and in written options on futures is different from that of margin in security transactions in that futures contract and written options margin does not involve the borrowing of funds by the customer to finance the transactions. The initial margin is in the nature of a performance bond or good faith deposit on the contract which is returned to the Trust upon termination of the futures contract, assuming all contractual obligations have been satisfied, or upon the closing of written put or call options. The amount of initial margin on deposit may be retained by the broker if, among other things, the Trust defaults in making payment upon termination of the futures contract or of the maintenance margin discussed below. Subsequent payment, called maintenance margin, to and from the broker, a process known "as marking to market," will be made on a daily basis as the price of the futures contract fluctuates, thereby making the long and short positions in the futures contract more or less valuable or as the price of the written put or call option fluctuates. Maintenance margin does not represent a borrowing of or loan by the Trust but is instead the daily settlement between the Trust and the broker of the amount one would owe the other if on such day the contract expired or if the written option were exercised.

The Trust undertakes that, on the occasions that it has the right to receive maintenance margin payments from the broker, it will promptly demand payment by the broker of such amounts upon notification by the broker that such amounts are payable. Any such funds received by the Trust will be held by the Trust's Custodian. At any time prior to expiration of the futures contract

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or the written option, the Trust may elect to close the position by taking an opposite position, which will operate to terminate the Trust's position in the futures contract or the written option. A final determination of variation margin will then be made, and if additional cash is required to be paid by or released to the Trust, the Trust will realize a loss or a gain.

The Trust also intends to purchase call and put options on financial futures which are traded on a United States exchange or board of trade and may sell such options to terminate an existing position.

The Trust's financial futures and related options contracts are governed by the terms and conditions of such contracts determined by the exchanges on which such contracts traded, and its futures and related option positions are evidenced by confirmations of transactions received from the executing broker. The Trust undertakes that its Custodian will have copies of such exchange terms and conditions and that its Custodian will have possession of such confirmations.

The Trust represents that, in connection with its request to the CFTC that such agency opine that the Trust is not within the definition of "commodity pool operator" and that the Trust will not be treated as a "pool" under the CEA, it has undertaken that its sales of futures contracts and its purchase of put options on futures contracts will be solely for purposes of protecting its portfolio against declines in value. The Trust will not engage in transactions in futures contracts or related options for speculations but only as a hedge against changes resulting from market conditions in the values of debt securities held in the Trust's portfolio or which it intends to purchase. The Trust may not purchase futures contracts or purchase related options if immediately thereafter, more than 30% of the Trust's net assets would be so invested. In addition, the Trust may not purchase or sell futures contracts or purchase or sell related options if, immediately thereafter, the sum of the amount of margin deposits on the Trust's existing futures and related options positions and for premiums paid for related options would exceed 5% of the market value of the Trust's total assets. The collateralization of financial futures contracts and related options makes the use of such futures and related options consistent with reverse repurchase agreements, standby commitments and other similar arrangements discussed in Investment Company Act Release No. 10666 (April 18, 1979) ("Release 10666").

If, as assumed in previous interpretive releases, the Commission has jurisdiction over leveraged investments of registered

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investment companies generally pursuant to Section 18 of the Act, a financial futures contract or the sales of a related option may, because of the Trust's contingent obligation to pay variation margin during the life of the contract, constitute a "senior security" (as that term is defined in Section 18(g) of the Act), for the purpose of Section 18(f). Since such an obligation would not run to a bank, the purchase or sale of a financial futures contract or the sale of a related option thereon by the Trust may constitute the issuance of a senior security by the Trust in violation of Section 18(f)(1) of the Act. In addition, to the extent that variation margin payments to the Trust in connection with a financial futures contract or the sale of a related option are held overnight by a broker, the Trust may be unable to comply with the provisions of Section 17(f) of the Act.

The Trust requests your advice to the effect that the Division of Investment Management would not recommend enforcement action to the Securities and Exchange Commission under the provisions of Section 18(f)(1) and 17(f) of the Act with respect to the Trust's proposed transactions in financial futures contracts and related options.

In support of this requested "no-action" letter, the Trust believes that financial futures contracts and related options, are not "securities" for the purpose of the Act, and, thus, such contracts and options cannot constitute "senior securities" under Section 18(g) or be subject to regulation under Section 18(f)(1). Furthermore, even if such contracts and options are considered to be senior securities under the Act, the proposed use by and limitations on the Trust with respect to such contracts and options do not give rise to the speculative abuses which Section 18(f)(1) was designed to prevent. The limitations on the Trust's use of such contracts and options and the requirement, in connection with the purchase of a financial futures contract or the sale of a related option, that the Trust deposit in a segregated account cash or cash equivalents equal to the market value of such futures contract or the premium and specified amount in connection with such options are, in fact, consistent with the procedures set forth in Release 10666 to minimize the speculative aspects of the leveraged investments which were the subject of Release 10666.

The Trust does not believe that financial futures contracts and related options are "securities" or that the legislative intent of the term "similar investments" reaches such contracts and

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options. In addition, the Trust believes a separate custodian agreement among the Trust, its Custodian and the futures commission merchant, pursuant to which the Trust's margin deposits are held by the Custodian subject to disposition by the futures commission merchant in accordance with the CFTC Rules and the rules of the applicable commodities exchange, will be consistent with the provisions of Section 17(f).

Subject to the receipt of the opinion from the CFTC described above, the Trust requests your advice to the effect that the Division of Investment Management would not recommend enforcement action to the Securities and Exchange Commission under the provisions of Section 18(f)(1) and 17(f) of the Act with respect to the Trust's proposed transactions in financial futures contracts and related options.

If further information is required with respect to this request, would you kindly telephone the undersigned.

Yours very truly,

  
Richard F. Palmer  
Secretary

/tcs  
Enclosures



# COLONIAL GROUP OF MUTUAL FUNDS

75 FEDERAL STREET  
BOSTON, MASSACHUSETTS 02110  
(617) 426-3750

February 28, 1984

Mr. Stanley B. Judd  
Deputy Chief Counsel  
Division of Investment Management  
Securities and Exchange Commission  
Judiciary Plaza  
450 Fifth Street, N.W.  
Washington, D.C. 20549

Re: Colonial Government Securities Plus Trust  
File No. 2-87530

Dear Mr. Judd:

Enclosed is a copy of the CFTC "No-Action" letter dated February 24, 1984, which I received today with respect to the requested interpretation regarding Colonial Government Securities Plus. I believe Ms. Stearn of the CFTC has called you regarding the issuance of this letter.

I believe everything has been furnished to you in connection with our request for a no-action letter. Copies of my letters dated January 13 and February 14, 1984, are enclosed. We anticipate that the Trust will commence investment operations on April 1, 1984, and would very much appreciate your cooperation with respect to our request.

Sincerely,

COLONIAL GOVERNMENT SECURITIES  
PLUS TRUST

By: Richard F. Palmer  
Richard F. Palmer, Secretary



COMMODITY FUTURES TRADING COMMISSION  
2033 K STREET, N.W., WASHINGTON, D.C. 20581

DIVISION OF  
TRADING AND MARKETS

February 24, 1984

Mr. Richard F. Palmer  
Secretary  
Colonial Government Securities Plus Trust  
75 Federal Street  
Boston, Massachusetts 02110

Re: Regulation as a commodity pool operator.

Dear Mr. Palmer:

This is in response to your letter dated November 2, 1983, <sup>1/</sup> as supplemented by your letter dated February 6, 1984 and the prospectus dated February 1, 1984 (the "Prospectus") enclosed therewith, in which you requested an opinion that Colonial Government Securities Plus Trust (the "Trust") would not be a "commodity pool operator" ("CPO") as defined in Section 2(a)(1)(A) of the Commodity Exchange Act, as amended (the "Act"), 7 U.S.C. §2 (1982), nor a "pool" as defined in Rule 4.10(d) of the Commission's regulations, 17 C.F.R. §4.10(d) (1983).

From the representations made in your November 2, 1983 letter, as supplemented, we understand the facts to be as follows: The Trust is a newly formed diversified, open-end investment company registered under the Investment Company Act of 1940. The investment objective of the Trust is "to seek a high current return" by investing in U.S. government securities and trading in certain options on these securities.

The Trust also intends to engage in certain commodity interest transactions based on financial instruments. <sup>2/</sup> These transactions would, however, be subject to certain limitations. The Prospectus, at page 7, sets forth, among others, the following limitations:

The Trust will not engage in transactions in futures contracts or related options for speculation but only as a hedge against changes resulting from market conditions in the values of debt securities held in the Trust's portfolio or which it intends to purchase. . . .  
[T]he Trust may not purchase or sell futures contracts or purchase or sell related options if immediately

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- <sup>1/</sup> Your letter addressed to the Office of the General Counsel was referred to this Division for reply.
- <sup>2/</sup> In discussing these commodity interests, the Prospectus, at page 6, explains that "[c]urrently there are futures contracts based on long-term U.S. Treasury bonds, Treasury notes, GNMA Certificates and three-month U.S. Treasury bills."

thereafter the sum of the amount of margin deposits on the Trust's existing futures . . . positions and for premiums paid for related options would exceed 5% of the market value of the Trust's total assets. . . .

[Further, the Trust's] sale of futures contracts and purchase of put options on futures contracts will be solely for purposes of protecting its portfolio against declines in value. In addition, the Trust expects that in the normal course it will purchase debt securities for its portfolio upon termination of long futures contracts, long call options on futures contracts, and written put options on futures contracts, a substantial majority of the time, but under unusual market conditions, it may terminate any of such positions without a corresponding purchase of debt securities.

On February 2, 1984, the Commission issued proposed Rule 4.5, which would exempt certain otherwise regulated persons from registration as a CPO and from the provisions of Subpart B of Part 4 of the Commission's regulations. 3/ See 49 Fed. Reg. 4778 (February 8, 1984). Based upon our review of the representations you have made to us, it appears that the Trust would be eligible for this proposed exemption inasmuch as the Trust: (1) is among the persons and qualifying entities covered by the proposal — i.e., it is a registered investment company; (2) will engage in commodity interest transactions solely for bona fide hedging purposes; (3) will not deposit as initial margin or premiums for its commodity interest transactions more than 5% of the market value of its total assets; (4) will not be, and has not been, marketed as a commodity pool or otherwise as a vehicle for trading in the commodity interest markets; and (5) will disclose in writing to its prospective participants the purpose of and the limitations on the scope of its commodity interest trading.

Accordingly, this Division will not recommend that the Commission take any enforcement action against Colonial Government Securities Plus Trust for failure to register as a CPO or to comply with the provisions of Subpart B of Part 4 of the Commission's regulations. 4/ This position is, however, subject to the condition that the Trust will comply with Rule 4.5 as adopted by the Commission or with any other such rule that the Commission may adopt

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3/ Section 4m(1) of the Act, 7 U.S.C. §6m(1) (1982), requires each person who comes within the CPO definition to register as a CPO with the Commission. The provisions of Subpart B of Part 4 concern the operational, disclosure, reporting and recordkeeping requirements of registered CPOs. See 17 C.F.R. §§4.20-4.23 (1983), as amended by 48 Fed. Reg. 35248 (August 3, 1983).

4/ Inasmuch as proposed Rule 4.5 would provide exemption for a registered investment company and any principal or employee thereof, the position we are taking herein also would apply to any principal or employee of the Trust — e.g., its officers.



to exempt certain otherwise regulated persons from regulation as a CPO. 5/ Therefore, this position will cease upon the effective date of Rule 4.5 or of such other rule.

In this connection, we note that previously we have issued opinions to certain registered investment companies that they would not be pools within the meaning and intent of Rule 4.10(d) based upon representations similar to those made by the Trust. 6/ However, in light of the Commission's recent proposal in this area, we believe that such a "no-action" position is the appropriate relief that should be afforded at this time. We further note that with respect to such investment companies and the filing of certain notices proposed in Rule 4.5, the Commission has stated:

[We do] not believe that it should be necessary for the recipients of such interpretative letters to, in effect, "re-submit" an application for exemption — i.e., to file an initial notice of eligibility — in the event the proposal is adopted. However, to insure that these persons (and entities) would be in compliance with the requirements of the proposed rule, the Commission intends to take the position that such persons must file supplemental notices in the event that any of the representations they previously had made to the Commission changed or that, to the extent that the proposal would require any additional representations, they were not in compliance with them. This position would ensure equal treatment of all persons claiming exemption under the rule. 49 Fed. Reg. 4778 at 4782-83.

We believe, and intend to recommend, that the Commission should take this same position with respect to the Trust.

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5/ For example, the rule as adopted may or may not contain the same standards and indicia of bona fide hedging transactions and positions contained in the rule as proposed. Moreover, to the extent that the rule as adopted is less restrictive than the rule as proposed — with respect to the standards and indicia of bona fide hedging transactions and positions or to any other aspect of the proposal — the Trust would be able to trade commodity interests subject to such other restrictions provided, of course, that such trading is conducted in accordance with the rule as adopted.

6/ See Pension Hedge Fund Inc., Comm. Fut. L. Rep. (CCH) ¶21,908 (available November 3, 1983); SteinRoe Bond Fund, Inc., Comm. Fut. L. Rep. (CCH) ¶21,906 (available October 21, 1983); Prudential-Bache Option Growth Fund, Inc., Comm. Fut. L. Rep. (CCH) ¶21,905 (available September 13, 1983). See also Piedmont Income Fund, Inc., Comm. Fut. L. Rep. (CCH) ¶21,910 (available November 21, 1983).

Mr. Richard F. Palmer  
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You should be aware that the position we have taken in this letter does not excuse the Trust from compliance with any otherwise applicable requirements contained in the Act or in the Commission's regulations thereunder. For example, it remains subject to the anti-fraud provisions of Section 40 of the Act, 7 U.S.C. §60 (1982), and to the reporting requirements for traders set forth in Parts 15, 18 and 19 of the Commission's regulations, 17 C.F.R. Parts 15, 18 and 19 (1983), as amended.

The position we have taken herein is based upon the representations that have been made to us. Any different, changed or omitted facts or conditions might require us to reach different conclusions. In this connection, we request that you notify us immediately in the event the Trust's operations and activities change in any way from that as represented to us.

Very truly yours,

  
Andrea M. Corcoran  
Director



# COLONIAL GROUP OF MUTUAL FUNDS

75 FEDERAL STREET  
BOSTON, MASSACHUSETTS 02110  
(617) 428-3780

February 14, 1984

Stanley B. Judd, Deputy Chief Counsel  
Division of Investment Management  
Securities and Exchange Commission  
Judiciary Plaza  
450 Fifth Street, N.W.  
Washington, D.C. 20549

Re: Colonial Government Securities Plus Trust  
File No. 2-87530

Dear Mr. Judd:

I enclose three copies of the current Prospectus of Colonial Government Securities Plus Trust.

Certain changes were made in the Prospectus under the sub-captions "Purchase and Sale of Futures Contracts" and under "Limitations on Purchase and Sale of Futures Contracts and Options on Futures Contracts" at the request of Ms. Stearn of the CFTC. Ms. Stearn called me today to advise the requested opinion would be forthcoming. I will, of course, forward you a copy thereof as soon as it is received.

I would appreciate it if you could advise me whether it will be possible to obtain the no-action letter requested by my letter to you of January 13, 1984, a copy of which is enclosed, by the time that the Trust commences operations, which we anticipate will be April 1, 1984.

If there is any information which you require would you kindly telephone the undersigned.

Sincerely,

COLONIAL GOVERNMENT SECURITIES  
PLUS TRUST

By: Richard F. Palmer  
Richard F. Palmer, Secretary



# COLONIAL GROUP OF MUTUAL FUNDS

75 FEDERAL STREET  
BOSTON, MASSACHUSETTS 02110  
(617) 426-3750

April 11, 1984

Stanley B. Judd, Deputy Chief Counsel  
Division of Investment Management  
Securities and Exchange Commission  
Judiciary Plaza  
450 Fifth Street, N.W.  
Washington, D.C. 20549

Re: Colonial Government Securities Plus Trust  
File No. 2-87530  
Interest Rate Futures Contracts and  
Options on Interest Rate Futures Contracts

Dear Mr. Judd:

Pursuant to a telephone discussion yesterday with Ms. Stephanie L. Monaco of your Staff, this is to confirm that Colonial Government Securities Plus Trust (the "Trust") has authority to write call options on interest rate futures contracts and to write put options on interest rate futures contracts. Please see Pages 6 and 7 of the enclosed Prospectus of the Trust dated February 1, 1984.

Enclosed is a form of Pledge Agreement which has been reviewed by the Trust's legal counsel, Ropes & Gray and by the Trust's Custodian, The First National Bank of Boston. Please note that under Paragraphs 10 and 11 the Broker has access to Collateral in the Pledge Account only if the Trust defaults and that the Broker is required to give Notice under Paragraph 10. This Pledge Agreement will be revised to require that such Notice shall include a statement by the Broker to Custodian under Paragraph 10(d) that all conditions precedent to the Broker's right to direct disposition pursuant to Paragraph 10(d) have been satisfied.

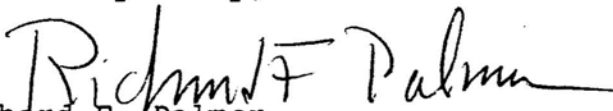
The Pledge Agreement makes clear that the Broker may have access to Collateral only under the conditions described in Paragraph 10 and there are no "other things" pursuant to which the Broker has any rights with respect to the Collateral. Accordingly the phrase "among other things" should not have been included in the sentence beginning "the amount of initial margin on deposit..." in the first full paragraph of Page 2 of my letter to you of January 13, 1984.

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Finally, this is to confirm that the Trust will earmark with its Custodian money market instruments equal in value to the fluctuating market value of all long futures contracts which it has purchased, less any margin deposited on such long positions with its Custodian. These earmarked assets would not be used to support any other transaction in which the Trust may enter. This is an elaboration of the representation previously made in the second full paragraph on Page 4 of my letter of January 13, 1984 and is responsive to the request by Ms. Monaco of your Staff.

I would appreciate it if you or Ms. Monaco could advise me at your convenience if this letter and its enclosures are satisfactory and responsive to Staff comments. Please telephone me collect at (617) 426-3750 or toll-free at 1-800225-2365.

Yours very truly,

  
Richard F. Palmer  
Secretary

Enclosures  
/mtm

cc: Ms. Stephanie L. Monaco

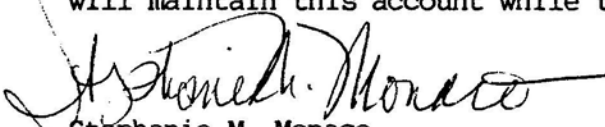
**PUBLIC**

MAY 16 1984

RESPONSE OF THE OFFICE OF CHIEF COUNSEL  
DIVISION OF INVESTMENT MANAGEMENT

Our Ref. No. 84-14-CC  
Colonial Government Securities  
Plus Trust  
File No. 811-3895

We would not recommend that the Commission take any enforcement action under sections 18(f) and 17(f) of the Investment Company Act of 1940 against Colonial Government Securities Plus Trust (Trust), a registered open-end management investment company, if the Trust proceeds as described in your letters dated January 13 and April 11, 1984. Our position is based on the facts and representations contained in those letters as well as the oral representation made on May 1, 1984, by Richard Palmer of the Trust to me that when the Trust writes put options on interest rate futures contracts, it will segregate with its custodian cash or cash equivalents equal to the market value of the written put options and will maintain this account while the put options are open.

  
Stephanie M. Monaco  
Attorney/Adviser

PLEDGE AGREEMENT

Agreement dated \_\_\_\_\_ among Colonial Government Securities Plus Trust, a Massachusetts business trust (the "Fund"), \_\_\_\_\_ ("Broker"), and The First National Bank of Boston ("Custodian"), hereinafter collectively known as the "Parties".

WHEREAS, the Fund has opened a trading account ("Trading Account") with Broker, a registered Futures Commission Merchant, for the purpose of trading in contracts for the future delivery of debt securities traded on duly registered boards of trade or commodities exchanges, including options on such contracts ("Contracts"); and

WHEREAS, the rules and regulations of the Chicago Mercantile Exchange, the Chicago Board of Trade, the Commodity Futures Exchange and such other exchanges on which Broker may effect, or caused to be effected, Contract transactions for the Fund ("Exchange" or "Exchanges") may require the Fund to deposit with Broker certain collateral with respect to each Contract; and

WHEREAS, Broker understands that The First National Bank of Boston is the custodian of the Fund's securities and other assets pursuant to a Custodian Contract dated November 10, 1983, and that in accordance therewith Custodian will open and maintain such separate custody accounts as the Fund may in writing direct, such accounts to be subject to the terms of a Pledge Agreement among the Parties ("Pledge Account" or "Pledge Accounts").

Therefore, it is agreed as follows:

1. As used herein the following terms shall have the following meanings:

"Initial Margin" means the margin required to enter into a Contract by any Exchange on which transactions are effected by Broker as broker for the Fund.

"Instructions from Broker" means a request, direction or certification in writing signed in the name of Broker by a person authorized to sign for Broker as certified in writing to Custodian by an officer of Broker. Such instructions shall be hand-delivered or transmitted to it by facsimile sending device.

"Instructions from the Fund" means a request, direction or certification in writing signed in the name of the Fund by a person authorized to sign for the Fund as provided





valued at the current market value less 10% of the principal value thereof.

4. Collateral held in the Pledge Account (i) will be held by Custodian as agent of Broker subject to the terms and conditions of the Custodian Contract, as modified by this Agreement, which shall be controlling with respect to the Pledge Account in the event of conflicting provisions, (ii) may be released, transferred or sold only in accordance with the terms of this Agreement and (iii) except as provided herein, shall not be made available to Broker or to any person claiming through Broker including creditors of Broker. The Fund hereby grants to Broker a continuing security interest in the Collateral and the proceeds thereof, but not such portion of the Collateral which constitutes Excess Margin, subject to the terms and conditions of this Agreement, which security interest will terminate at the earlier of (1) release of the Collateral by Broker as provided herein or (2) such time as the Collateral becomes Excess Margin. The Collateral shall at all times remain the property of the Fund subject only to the interest and rights therein of Broker as pledgee and secured party thereof as provided in this Agreement.

5. Custodian agrees to transfer upon Instructions of the Fund, or release to the Fund, Collateral held in the Pledge Account only upon Instructions from Broker.

6. The Fund may substitute as Collateral eligible U.S. Government securities or cash of equal or greater Value. Broker agrees to give Instructions from Broker to Custodian to release from a Pledge Account cash or eligible U.S. Government securities of an equal Value, or such lesser amount as may be directed by the Fund, upon receipt of substitute Collateral.

7. Broker shall at the Fund's request promptly notify the Fund of the amount of any Excess Margin in the Pledge Account. Upon request of the Fund, Broker shall give Instructions from Broker to Custodian to release to the Fund cash or eligible U. S. Government securities selected by the Fund, the value of which in the aggregate does not exceed the amount of any such Excess Margin.

8. Subject to Section 10, interest on securities held in the Pledge Account will be automatically credited by Custodian in Federal funds to such demand deposit account or accounts designated in Instructions from the Fund on the date that such funds become due and payable. Amounts due on securities which mature or are redeemed will be credited to the Pledge Account in Federal funds on the date funds are received.

9. Custodian shall promptly give Notice by Custodian to the Fund and Broker of, and transmit to both written confirmation of, each transfer into or out of a Pledge Account and shall transmit to Broker monthly a summary of such transfer.

10. Broker shall have access to the Collateral only in accordance with the following:

(a) If notice by Broker is given that additional margin is required by any Exchange on which transactions are effected by Broker as broker for the Fund due to variation in the value of one or more Contracts purchased or sold by the Fund ("Variation Margin") prior to 11:30 A.M. New York time on a day on which the Fund is open for business, which Variation Margin shall first have been satisfied from any amounts currently credited to the Fund's Trading Account with Broker in connection with which the Variation Margin is required, the Fund shall transfer to Broker such Variation Margin not later than 3:00 P.M. on the same day. If Notice by Broker to the Fund is given of the need for Variation Margin subsequent to 11:30 A.M. but prior to 4:00 P.M. New York time on a day on which the Fund is open for business, the Fund shall provide such Variation Margin to Broker not later than 10:30 A.M. New York time on the next succeeding day on which the Fund is open for business. Notice by Broker to the Fund of the receipt of Variation Margin shall be given promptly.

(b) If Broker has not received the requested Variation Margin within the time period as provided in Paragraph (a), Notice by Broker to the Fund of the failure to receive the Variation Margin shall be given immediately.

(c) If Broker does not receive the Variation Margin within One Business Day from the time of giving Notice by Broker to the Fund of the failure to receive the Variation Margin, Broker may give (i) Notice by Broker to Custodian of the Fund's failure to provide Variation Margin and the amount of Variation Margin required, which Notice shall indicate the Pledge Account relating to the Trading Account in which the Variation Margin is required, and (ii) Notice by Broker to the Fund that such Notice has been given to Custodian. Immediately upon receipt of Notice by Broker to Custodian but without prejudice to any rights of Broker hereunder, Custodian shall give Notice by Custodian to the Fund of its receipt of such Notice by Broker.

(d) No sooner than One Business Day after such Notice by Broker to Custodian, and only if the Fund has failed to transfer the required Variation Margin to Broker during such period, Broker may give Notice by Broker to Custodian

of the Fund's failure to provide Variation Margin and may give Instructions from Broker to Custodian (i) to transfer eligible U. S. Government securities to Broker, (ii) to sell at the prevailing market price such of the Collateral in the Pledge Account relating to the Trading Account in which the Variation Margin is required, in each case as necessary to provide for payment to Broker of the amount of Variation Margin that Broker shall have specified in the Notice, or (iii) with respect to Collateral in the form of cash, Broker may give Instructions from Broker to Custodian to immediately transfer cash in the amount of the Variation Margin that Broker shall have specified in the Notice from such Pledge Account to the account of Broker. Custodian shall immediately give Notice by Custodian to the Fund of its receipt of such Instructions from Broker and, upon taking any action pursuant to such Instructions, shall immediately give Notice by Custodian to the Fund of such actions. Subject to the notice provisions set forth above, Custodian shall take instructions solely from Broker with respect to the sale of securities and/or the transfer of cash to Broker. In the event that Broker receives eligible U.S. Government securities pursuant to this paragraph (d), it shall have the right to sell or otherwise dispose of such securities and shall remit to the Fund any proceeds of such sale or disposition in excess of the amount of Variation Margin specified in Instructions from Broker to Custodian.

(e) Custodian shall retain in the Pledge Account any Collateral in excess of the amount of Variation Margin specified in Instructions from Broker to Custodian including any proceeds from sale of securities in excess of such amount. Custodian shall give consideration to any timely request by the Fund with respect to particular securities to be sold and shall sell any securities in the principal market for such securities or in the event such principal market is closed, sell them in a manner commercially reasonable for such securities.

11. Neither Broker nor any person claiming through Broker shall have access to Collateral in the Pledge Account established and maintained pursuant to this Agreement other than the Pledge Account which relates to the Trading Account in which the Variation Margin is required and only in accordance with the provisions of this Agreement.

12. If Custodian, upon receipt of Instructions from Broker to release Collateral, fails to take the action specified in such Instructions as provided herein in a timely fashion and the Fund incurs a loss by reason thereof, Custodian shall indemnify the Fund for such loss.

13. No amendment of this Agreement shall be effective unless in writing and signed by persons thereunto duly authorized.

14. Written communications hereunder shall be, except as otherwise required hereunder, hand-delivered or mailed first class postage prepaid, except that written notice of termination shall be sent by certified mail addressed:

(a) if to Custodian, to:

(b) (1) if to the Fund to:

(2) With copies to:

(c) if to Broker, to

15. Except as specifically provided herein, this Agreement does not in any way affect any other agreements entered into among the parties hereto and any actions taken or omitted by any party hereunder shall not affect any rights of any other party hereunder.

16. Any of the parties hereto may terminate this Agreement upon 30 days written Notice to both of the other parties hereto; provided, however, that Collateral which has not been released by Broker at or prior to the time of termination shall be transferred to a substitute custodian designated by the Fund and acceptable to Broker.

17. This Agreement is executed on behalf of the Trustees of the Fund as Trustees and not individually and the obligations of this Agreement are not binding upon any of the Trustees but are binding only upon the assets and property of the Fund.

18. This Agreement shall be construed according to, and the right and liabilities of the parties hereto shall be governed by the laws of The Commonwealth of Massachusetts.

THE FIRST NATIONAL BANK OF BOSTON

By \_\_\_\_\_  
Authorized Signature

COLONIAL GOVERNMENT SECURITIES PLUS TRUST

By \_\_\_\_\_  
Authorized Signature

By \_\_\_\_\_  
Authorized Signature