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| B #: | 0872-14 |
| Date: | 05/01/2014 |
| To: | All Participants |
| Category: | Dividends |
| From: | Supervisor, Stock Dividend Department |
| Attention: | Dividend Managers, Cashiers, and Reorganization Managers |
| Subject: | Optional Dividend: Liberty All-Star Equity Fund CUSIP: 530158104 Rate: \$0.10 Record Date: 05/02/2014 Payable Date: 06/16/2014 DTC EDS Cut-Off: 05/28/2014 8:00 P.M. New York time |

*****WARNING TIME CRITICAL*****

Liberty All-Star Equity Fund has declared a stock distribution of \$0.10 per share in stock or cash of Liberty All-Star Equity Fund. The distribution is payable to stockholders of record at the close of business on 05/02/2014.

Option #1 (Stock): Shareholders may elect to receive newly issued shares at \$0.10 per share.
DEFAULT Fractional shares will be paid in cash at participant level.

Option # 2 (Cash): Shareholders may elect to receive cash at \$0.10 per common share.

Unless you elect to receive your distribution in cash, the number of shares to be issued to you will be determined by dividing the total dollar amount of the distribution payable to you, based on the number of shares you held on record on 05/02/2014, by the market price per share of the Fund's shares of beneficial interest on 05/30/2014, or by the net asset value per share on that date, whichever is lower but not at a discount of more than 5% from the market price).

PARTICIPANTS SHOULD SUBMIT ELECTION INSTRUCTIONS OVER THE PARTICIPANT TERMINAL SYSTEM (PTS) THROUGH THE ELECTIVE DIVIDEND SYSTEM (EDS) FUNCTION.

To confirm record date history and payment information, participants should access the Dividend and Allocation History (DPAL) Menu Option, via the PTS Dividend Announcements Inquiry function (DIVA).

Participants not responding to the above options by 05/28/2014 8:00 P.M. New York time will receive the dividend in the form of stock and cash of fractional shares; this is in accordance with **Option #1 (default)**.

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If there are any questions regarding this Important Notice, or the processing of related instructions via EDS, participants should contact DTC's Customer Help Line at (888) 382-2721.

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