

The Depository Trust Company
IMPORTANT

B#: 2343
DATE: August 20, 2001
TO: All Participants
CATEGORY: Dividends
FROM: Nilesh Desai, Supervisor, Dividend Department
ATTENTION: Dividend Managers, Cashiers and Reorganization Managers
SUBJECT: Optional Dividend: Liberty All-Star Equity Fund, Inc.
Cusip#: 530158104 R/D: 08/17/01 P/D: 10/09/01
Rate: \$ 0.31 in Stock or Cash (realized capital gains)
DTC Cut-off: 09/19/2001

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

Participants who have positions in the above captioned security may elect to receive the dividend distribution of \$ **0.31** paid in stock or cash, as follows:

Stock Option #1: You may elect to receive additional common shares of **LibertyAll-Star Equity Fund, Inc.** for the \$ **0.31** per share. Fractional shares will be paid in cash. The market value of the fund's common stock for this purpose will be the last sales price on the New York Stock Exchange on **September 21, 2001.**

Cash Option #2: You may elect to receive cash at \$ **0.31** per share held.

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

Participants not responding to the above option by 09/19/01, will receive the mandatory distribution in accordance with Option #1 (Stock with Fractions in cash).

To confirm your Record Date positions, DTC participants should access the Dividend and Allocation History (DPAL) Option, via the PTS Dividend Announcements Inquiry (DIVA) function.

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Tax Information

Whether you receive this distribution in additional shares or in cash, all of the Fund's 2001 distributions, including this third quarter distribution, will be reportable on your 2001 federal income tax return. The Fund will, in January 2002, send notices to its shareholders regarding the federal income tax status of all distributions made for the 2001 calendar year. The Funds distributions may also be subject to state and local taxes, and you should consult your own tax advisor regarding the applicable state and local tax laws.

If there are any questions regarding this Important Notice or the processing of related instructions via EDS, DTC participants should contact Mr. John McCarthy or Mr. Ray Lew of DTC's Dividend Department at (212) 855-4521/4523.